DOCUMENT RESUME

ED 307 837 HE 022 195

TITLE	A Self-Instructional Course in Student Financial Aid Administration. Module 15: Internal Aid Office Management and Institutional Quality Control. Second Edition.
INSTITUTION	Office of Student Financial Assistance (ED), Washington, DC.; Washington Consulting Group, Inc., Washington, DC.
PUB DATE	20 Aug 88
NOTE	89p.; For related documents, see HE 022 181-198.
PUB TYPE	Guides - Non-Classroom Use (055) -- Tests/Evaluation Instruments (160)
EDRS PRICE	MF01/PC04 Plus Postage.
DESCRIPTORS	Administrator Responsibility; Administrator Role; Educational Finance; *Federal Aid; Federal Government; Federal Programs; Higher Education; *Office Management; *Program Administration; Programed Instructional Materials; *Quality Control; *Student Financial Aid; *Student Financial Aid Officers
IDENTIFIERS	Department of Education; Higher Education Act Title IV

ABSTRACT

The 15th in a 17-module self-instructional course on student financial aid administration (designed for novice financial aid administrators and other institutional personnel) focuses on internal aid office management and institutional quality control. The course provides a systematic introduction to the management of federal financial aid programs authorized by Title IV of the Higher Education Act. The objectives of this module are to help the user describe the major functions of the aid office, recognize the elements that make up fund management, define the term "quality control" in relation to student aid administration, and outline the procedural steps taken in developing an institutional quality control plan. Two sections discuss the following: (1) financial aid office management: roles, processes, and procedures (common factors in aid office operations, fund management, internal aid office management, determining student eligibility, file completion, need determination, and final preparation for packaging, award notification, award disbursement, changes in status, refunds, and repayments, and record maintenance and retention) and (2) institutional quality control (errors in the delivery of student financial aid, quality control, institutional benefits from increasing quality, quality control in a financial aid setting, procedures for developing and implementing a quality control program, and corrective action: controlling critical errors). A pre-test, post-test, glossary, and acronyms are included. Contains five references. (SM)

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A Self-Instructional Course in Student Financial Aid Administration

An Introduction and Guide to the Administration of Federal Title IV Student Financial Aid Programs

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A Self-Instructional Course in Student Financial Aid Administration

United States Department of Education
Office of Student Financial Assistance

Internal Aid Office Management & Institutional Quality Control

15

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A Self-Instructional Course in Student Financial Aid Administration

United States Department of Education
Office of Student Financial Assistance

This publication is one component of *A Self-Instructional Course in Student Financial Aid Administration*. This Second Edition of the course consists of the following modules:

1. Student Financial Aid Administration: Course Study Guide and Introduction to the Field
2. Federal Student Financial Aid: History and Current Sources
3. The Legislative and Regulatory Processes
4. Roles and Responsibilities of the Financial Aid Office
5. Title IV Institutional and Program Eligibility
6. General Student Eligibility
7. Calculating Cost of Attendance
8. Need Analysis
9. Award Packaging
10. The Pell Grant Program
11. The Stafford Loan, SLS, and PLUS Programs
12. Campus-Based Programs: SEOG, CWS, and Perkins Loan
13. Verification
14. Authorization, Fiscal Operations, and Reporting
15. Internal Aid Office Management and Institutional Quality Control
16. Forms and Publications
17. Evaluation of Student Aid Management: Self-Evaluation, Audit, and Program Review

The course includes a Support Booklet with the complete course glossary, acronyms, key resources, bibliography, and index, as well as addresses of publishers mentioned in the course. The Support Booklet also offers guidelines for further study.

UNITED STATES DEPARTMENT OF EDUCATION

WASHINGTON, D.C. 20202

October 1988

Dear Colleague:

We are pleased to present the Second Edition of A Self-Instructional Course in Student Financial Aid Administration. This updated version of the course originally published in 1986 incorporates provisions of the Higher Education Amendments of 1986, with 1987 Technical Amendments and subsequent amendments.

The purpose of the course remains the same. It is designed to provide neophyte financial aid administrators (those with two years or less experience in student aid) and other institutional personnel with a systematic introduction to management of federal financial aid programs authorized by Title IV of the Higher Education Act. Students of the course will gain a fundamental understanding of the roles and responsibilities of participating institutions and of student aid administrators. On completion of the course, they will be prepared to expand this knowledge with the use of training and reference materials, on-site training opportunities, and contacts with other members of the profession.

The materials were revised under a contract with the Washington Consulting Group. The text was reviewed for technical accuracy by many staff members of the Office of Student Financial Assistance (OSFA). Special acknowledgement is due to both project staff and OSFA specialists for accomplishing very wide-ranging modifications of the text during a period when much legislative and regulatory activity affecting student aid was in progress.

Your comments and suggestions regarding any aspect of the materials are welcome. OSFA is particularly interested in learning 1) the level of experience and job responsibilities of personnel at your institution using the modules; 2) the purposes for which they are being used (for example, self-study, training new staff, reference); and 3) whether you feel that this publication is among those that OSFA should continue to update and disseminate annually. You may send your comments to the Training Branch, OSFA/ED, 400 Maryland Avenue S.W., Washington, D.C. 20202.

Sincerely,

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☆ U.S. GOVERNMENT PRINTING OFFICE : 1988 O - 222-546 (Book #1)

MODULE 15

INTERNAL AID OFFICE MANAGEMENT AND INSTITUTIONAL QUALITY CONTROL

The technical information in this module is based on laws, regulations, policies, and procedures in effect as of:

August 20, 1988

This is one component of *A Self-Instructional Course in Student Financial Aid Administration*. This Second Edition of the course has been prepared by The Washington Consulting Group, Inc., under a contract with the U.S. Department of Education.

The course consists of 17 modules and a support booklet. It provides an introduction and guide to the administration of student financial aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. The titles of the modules are listed on the inside front cover of this publication.

Institutions may freely reproduce the course for their own use. For more information on the course, contact one of the Department of Education offices listed on the inside back cover of this publication.

TABLE OF CONTENTS

Page		
v	**Learning Objectives and Introduction**	
viii	**Pre-Test**	
1	**Financial Aid Office Management: Roles, Processes, and Procedures**	
1	15.1	Common Factors in Aid Office Operations
1		15.1.1 Federal and State Agency Guidelines
1		15.1.2 Time Factors and the Master Calendar
3		15.1.3 Common Aid Office Roles and Responsibilities
4	15.2	Fund Management
4		15.2.1 Preparation of an Institutional Budget for Managing Financial Aid Funds
8		15.2.2 Development of an Award Packaging Policy
8		15.2.3 Maintaining Student Aid Balances and Reconciling Fund Accounts
8		15.2.4 Filing Required Fiscal Reports
9	15.3	Internal Aid Office Management
9		15.3.1 Steps in Processing
10		15.3.2 Counseling
12		15.3.3 Record Management
16		15.3.4 Approaches to Document Tracking
18	15.4	Determining Student Eligibility
21	15.5	File Completion, Need Determination, and Final Preparation for Packaging
21		15.5.1 Financial Need Determination
23		15.5.2 Award Packaging
25	15.6	Award Notification
27		15.6.1 Perkins Loan Awards
27		15.6.2 College Work-Study Program
28		15.6.3 Overawards
30		15.6.4 Student Appeals
31	15.7	Award Disbursement
32		15.7.1 Evaluation of Student Eligibility
33		15.7.2 Changes in Awards
33		15.7.3 Authorization to Disburse

Page

35 15.8 Changes in Status, Refunds, and Repayments

35 15.8.1 Developing an Institutional Refund Policy
38 15.8.2 Status Change Before Classes Begin
38 15.8.3 Change in Enrollment Level Before or Within a Payment Period
38 15.8.4 Student Withdrawal or Expulsion After the First Day of Classes
39 15.8.5 Refunds to Title IV Programs
40 15.8.6 Repayments of Disbursements for Noninstitutional Costs

46 15.9 Record Maintenance and Retention

50 **Institutional Quality Control**

50 15.10 Errors in the Delivery of Student Financial Aid

51 15.11 What Is Quality Control?

52 15.12 Institutional Benefits from Increasing Quality

53 15.13 Quality Control in a Financial Aid Setting

54 15.14 Procedures for Developing and Implementing a Quality Control Program

54 15.14.1 The QC Team
55 15.14.2 Determining Priorities for the Program
56 15.14.3 Developing Standards
57 15.14.4 Data Collection Procedures
58 15.14.5 Output Documents
58 15.14.6 Implementing a Quality Control System
58 15.14.7 Data Collection, Analysis, and Monitoring Activities

59 15.15 Corrective Action: Controlling Critical Errors

60 **Summary**

62 **Post-Test**

67 **Glossary**

71 **Acronyms**

72 **Key Resources and Bibliography**

73 **Index**

MODULE 15

INTERNAL AID OFFICE MANAGEMENT AND INSTITUTIONAL QUALITY CONTROL

❑ LEARNING OBJECTIVES

After completing this module, you will be able to identify and describe the elements that make up institutional student aid management. You will also understand how to design and implement a quality control system to monitor and evaluate the accuracy and efficiency of your institution's management of the student aid programs. In particular, you will be able to:

- ✧ describe the major functions of the aid office;
- ✧ recognize the elements that make up fund management;
- ✧ outline the major procedural steps involved in document review and verification, file completion, need determination, award packaging, acceptance of awards and completion of other required documents, and award disbursement;
- ✧ identify the requirements and applicable data items and outline the procedural steps in confirming student eligibility prior to award packaging and disbursement;
- ✧ define an *overaward* and state the required procedural steps in handling overawards;
- ✧ describe the circumstances that necessitate a refund calculation and identify the steps used in calculating refunds;
- ✧ define the term *quality control* as it relates to student aid administration;
- ✧ identify the purposes and elements of institutional quality control in financial aid management; and
- ✧ outline the procedural steps taken in developing an institutional quality control plan.

❑ INTRODUCTION

In most of the modules so far, we have either presented major concepts that underlie the distribution of aid--for example, calculating educational *costs of attendance*, need analysis, award packaging, and verification--or focused on individual aid programs with their specific eligibility requirements, award amounts, and disbursement procedures. The sequence of major "concept" modules provided a basic framework to which the details of specific aid programs were added.

In a sense, you have seen pieces of the whole. Now it is time to tie them together in an overall office management perspective. Only after viewing the aid office operation can you truly

understand the aid process from start to finish. Although the internal operations of an aid office differ in size, staff organization, and institutional philosophy, there are basic functions and procedures shared by all aid offices. These are prescribed by regulation or are professionally recommended practices and generally accepted roles of the aid office. In the first part of this module, we will examine many of these functions and procedures, reviewing some of the procedural variations you may find.

The second part of this module will deal with an important topic related to aid office management--quality control. Often the complexity of the aid programs and the level of administrative responsibility for participating institutions result in attention being focused almost exclusively on the day-to-day job of delivering aid to students. Questions of equity in the aid distribution process--especially methods to ensure equity in measuring families' ability to contribute and in putting together award packages--receive most of the attention. Other factors, such as regulatory changes and legislative or funding changes, demand ongoing staff training. This can result in crisis management rather than good management.

Review of institutional management of the aid programs should not be only a back-end, evaluative process. Self-evaluations, audits, and federal program reviews examine the management of a system after the processing year has concluded. Such a detailed examination is revealing and instructive, but it does not measure the accuracy or quality of the ongoing process. It identifies areas of corrective action only after the fact. Evaluation of the intermediate steps in the process--or of the entire system in the midst of a processing year--should be done frequently according to a well-designed plan.

There have been several federal initiatives over the last few years to improve the quality of aid management at the front end of the process. Much of this has centered on checking the accuracy of the applicant data that drives the system. The verification system, which now applies to the Pell Grant, campus-based, and Stafford Loan programs, was developed to identify inaccurate or misreported data before funds are disbursed to a student. Another federal initiative to improve the accuracy and overall quality of student aid management is the Institutional Quality Control Pilot Project. The project focuses on a wide range of institutional activities in student aid administration. This module will provide you with an overview of the steps to take in developing a quality control system on campus and relate it to basic processes and specific procedures in aid administration.

PRE-TEST

1. An award adjustment or a refund calculation might be required if a student: (circle all that apply)

   a. receives an outside scholarship after the term has begun
   b. withdraws, drops out, or is expelled after classes begin
   c. transfers to another institution at the end of the academic year
   d. discontinues work-study employment at the mid-point of the payment period
   e. enrolls for a full-time course load but drops to part-time status during the add/drop period

2. Continuing students must have their academic records compared to standards for satisfactory academic progress to continue to receive federal student aid. True or False?

3. A quality control program is intended to: (circle all that apply)

   a. evaluate the educational quality of an institution's eligible programs
   b. see if all available aid was distributed
   c. monitor the accuracy of the institution's administration of student aid
   d. survey students for their reactions to aid office personnel
   e. audit the student aid program

4. Student eligibility must be confirmed before financial aid is awarded. For each eligibility item below, show which source document or documents might be examined. (More than one may apply.)

Eligibility Issue	*Source Document*
a. Previous attendance at another institution	1. Application for admission
b. Satisfactory academic progress	2. Signed statement of student
c. Enrollment status	3. Admissions letter
d. Citizenship status	4. Aid application
e. Selective Service registration	5. Tax form of parents
f. Student admitted	6. INS letter/document or passport
	7. Academic transcripts
	8. Registrar's class attendance rosters or enrollment reports

5. The term "overaward" refers to: (circle all that apply)

   a. awarding aid beyond regulated student loan borrowing limits
   b. awarding aid beyond a student's documented need
   c. awarding aid to too many students (i.e. beyond the available funds)
   d. awarding aid for a program that runs more than one year

6. Institutions must contribute their own money to Title IV student aid funds. Which of the following refer to this obligation? (circle all that apply)

   a. administrative cost allowance
   b. Perkins Loan Institutional Capital Contribution
   c. interest payments on Stafford Loans during in-school periods and deferments
   d. College Work-Study matching funds

7. Procedures must be in place to ensure that an institution's other administrative offices and faculty report all information that affects aid awards to the financial aid office (for example, outside scholarships, employer tuition sponsorship, tuition waivers, student non-attendance in classes). True or False?

8. Refund calculation is necessary when a student withdraws before the start of classes, but not once classes begin. True or False?

9. A student's aid file would not be complete without a signed statement of educational purpose each award year. True or False?

10. The following procedures are appropriate in an overaward situation: (circle all that apply)

    a. take no action unless the overaward is $500 or more
    b. ask the student to return any "excess" amount received for noninstitutional costs
    c. take no action, if the overaward is caused by outside funding sources
    d. cancel unpaid grants and loans if there is no additional financial need and the overaward is $200 or more
    e. determine whether the student shows additional, unanticipated financial need

11. Award packaging of Title IV funds is a process that always takes place prior to financial need determination. True or False?

12. Fund management in the financial aid office includes: (circle all that apply)

    a. developing a packaging policy for student awards
    b. developing an institutional budget for managing student aid funds
    c. filing required fiscal reports
    d. disbursing funds (crediting accounts or writing checks) to students
    e. monitoring expenditures and balances in federal accounts

ANSWERS

1. a., b., and e. (15.6.3, 15.8)†

2. True. (15.3.3, 15.4)

3. c. (15.11)

4. a: 1, 4, and 7.
   b: 7 and 8.
   c: 8.
   d: 1, 4, and 6.
   e: 2 and 4.
   f: 3. (Section 15.4 has information on all these items.)

   For scoring purposes in Question 4, treat each letter as a separate question. Award yourself one point for each letter answered with all applicable numbers. The maximum score on this question is 6 points.*

5. b. (15.6.3)

6. b. and d. (15.2.1)

7. True. (15.4 , 15.5.1.)

8. False. (15.8)

9. True. (15.3.3)

10. b., d., and e. (15.6.3)

11. False. (15.5.1)

12. a., b., c., and e. (15.2)

†For quick access to information on this question, see these sections.

Questions: 17* Your Score: Percentage:

FINANCIAL AID OFFICE MANAGEMENT: ROLES, PROCESSES, AND PROCEDURES

15.1 COMMON FACTORS IN AID OFFICE OPERATIONS

Student aid offices differ in size, staff organization, and institutional philosophy. However, since the majority of student aid funding is from federal and state sources, there are some common factors that influence the operation of all aid offices. In addition, generally accepted and recommended professional practices have been developed over the years, providing a framework of sound procedures and systems.

15.1.1 Federal and State Agency Guidelines

All federal and state student aid dollars that institutions receive must be administered according to regulations and guidelines established by the funding source. These regulations, which detail procedural steps that must be followed, provide a common denominator that influences all aid office operations.

15.1.2 Time Factors and the Master Calendar

Two of the major external factors influencing the administration of Title IV aid are the financial aid award year and the financial aid processing period. The financial aid award year runs from July 1 of one year through June 30 of the following year. The financial aid processing period, which is a 24-month period, begins in January and extends through December following the close of the award year. To assure adequate notification and timely delivery of Title IV aid, ED operates by a *master calendar*. This calendar gives specific dates by which:

- ✧ federal and Multiple Data Entry forms must be distributed, and
- ✧ campus-based and Pell Grant funds for an award year must be allocated.

These dates provide a cyclical framework for aid office operations.

ED's Master Calendar

This gives specific dates by which ED and institutions must take some important actions, such as:

Development and distribution of AFSA (Application for Federal Student Aid)and MDE forms:

- by March 1: proposed modifications and updates published in the *Federal Register*
- by June 1: final modifications and updates published in the *Federal Register*
- by August 15: AFSA and MDE data elements and instructions approved
- by August 30: final approved forms delivered to servicers and printers
- by October 1: forms and instructions printed
- by November 1: forms, instructions, and training materials distributed

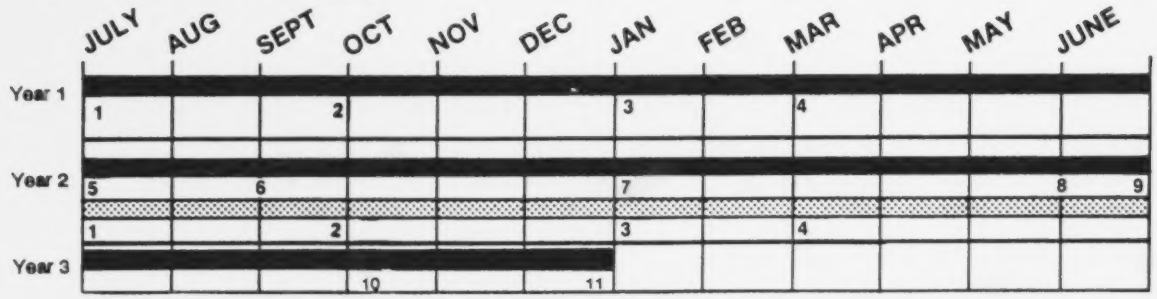
Allocation of campus-based and Pell Grant funds:

- by August 1: distribution of FISAP to institutions
- by October 1: institutions submit FISAP to ED
- by November 15: institutions receive edited FISAP and computer printout
- by December 15: institutions return edits to ED
- by February 1: institutions receive tentative award levels and final Pell Grant payment schedule
- by March 1: all appeals settled
- by April 1: final award notifications sent to institutions
- by June 1: Pell Grant authorization levels sent to institutions

(For the master calendar legislation, see Section 482 of the Higher Education Act of 1965, as amended.)

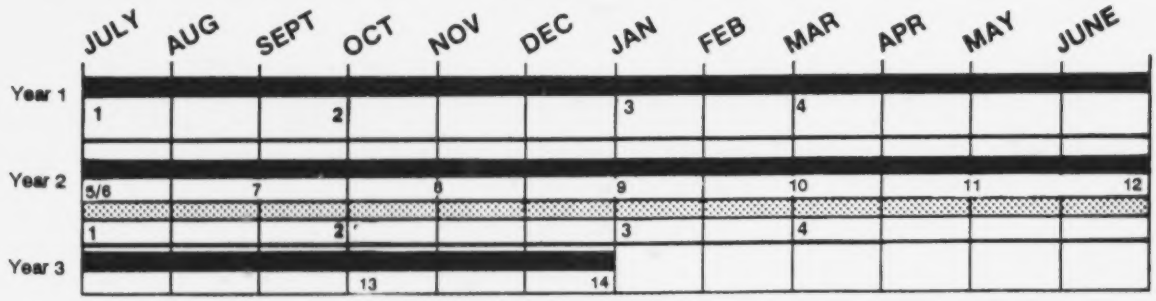
SAMPLE FINANCIAL AID CALENDARS

Figure #1: Term Type Institutions



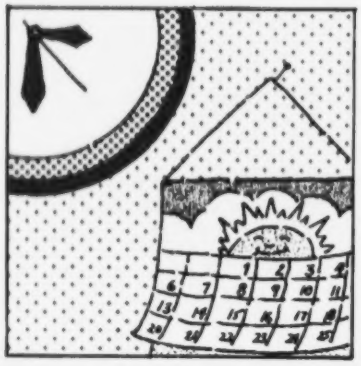
1. Resource planning begins
2. FISAP filed
3. Application processing begins
4. Packaging/Notifications begin
5. Award year begins
6. Academic year begins
7. Second term begins
8. Academic year ends; summer terms begin
9. Award year ends
10. Fiscal Operations reports due
11. Final Pell Grant IPS deadline

Figure #2: Clock Hour Institution



1. Resource planning begins
2. FISAP filed
3. Application processing begins
4. Packaging/Notifications begin
5. Award year begins
6. Start date, July 1
7. Start date, Sept. 1
8. Start date, Nov. 1
9. Start date, Jan. 1
10. Start date, March 1
11. Start date, May 1
12. Award year ends
13. Fiscal Operations reports due
14. Final Pell Grant IPS deadline

Many institutions schedule 4 to 6 months of planning and preparation time prior to the start of the processing period and award year. During these months, the institutional budget is planned and the federal application for campus-based funding (FISAP) is submitted. Also, cost of attendance components for the Pell Grant, campus-based, and Stafford/SLS/PLUS programs are developed, the institutional financial aid application and other forms are updated, staff training sessions are held, and secondary school outreach counseling takes place.



We can see from these time frames that there is a significant period of overlap between two processing years. While the aid office staff continues processing for the current award year, they are also involved in activities related to processing for the upcoming award year.

The bar charts on the opposite page illustrate these overlapping time frames. The solid bar shows a complete cycle, from planning in July of Year 1 to the reports submitted and Pell Grant IPS deadlines in October of Year 3. The overlap between this cycle and the next processing cycle (lightly shaded bar) is shown for Year 2 only.

15.1.3 Common Aid Office Roles and Responsibilities

In addition to major time cycles in student aid management, some major roles and functions are common to aid offices. The basic functions include:

- ✧ managing federal, state, and institutional funds, including initial budgeting; monitoring awards and declining fund balances; and preparing required fiscal reports in conjunction with the business office;
- ✧ student counseling, including preparation and dissemination of required student consumer information;
- ✧ collecting and managing confidential student financial aid records and related documents;
- ✧ verifying applicant data;
- ✧ awarding available funds;
- ✧ authorizing the payment of student awards for the disbursement by the fiscal or business office; and

- monitoring changes in student status and authorizing refunds.

There are procedures that arise out of these basic functions. We will focus the remainder of our discussion in Module 15 on these, suggesting some practical approaches.

15.2 FUND MANAGEMENT

Although the entire process of awarding and disbursing student aid funds may be referred to as fund management, we are using a narrower definition of the term. By fund management, we mean:

- preparing an institutional budget for managing financial aid funds;
- developing an award packaging policy;
- monitoring award totals and fund balances throughout the award year and reconciling fund accounts; and
- filing required fiscal reports in conjunction with the business office.

What: Preparing an institutional financial aid budget and award packaging policy

Who: The director of financial aid or a designated aid administrator

When: The preparatory period before the start of the processing year

Why: The institution needs a complete picture of available funds and guidelines for awarding them to maximize use of funds and to prevent overspending

15.2.1 Preparation of an Institutional Budget for Managing Financial Aid Funds

Preparing an institutional budget for student aid funds and developing an award packaging policy generally take place in the preparatory period before the start of financial aid application processing and the award year. The preparations include:

- determining the total amount of available campus-based funds based on the institution's tentative or final award authorization letter;
- calculating the required institutional matching dollars and administrative allowances;
- determining whether an SEOG/CWS funds transfer or CWS carry forward/carry back funds transfer will be used;

Preparing an institutional budget for managing financial aid funds is not the same as preparing student expense budgets. An institutional budget reflects the total funds available for student aid awards for an award year.

- projecting the amount of student loan collections and cancellation reimbursements that will be available for re-lending;* and

- determining the amount of available institutional aid funds.

*This information is generally provided to the aid office by the fiscal office or student loan office.

In many institutions, preparation of a financial aid budget overlaps with the institution's overall operating budget development process. As a part of that process, estimated and final figures are often shared with the president, chief executive officer or owner, and the board of trustees. Bear in mind that the institution:

- must provide any required institutional matching dollars for the federal CWS and Perkins Loan programs (and SEOG beginning with 1989-90 award year); and

- may conduct an annual re-examination of the amount available for institutional employment, grants, loans, and scholarships (academic and athletic).

Refer to Modules 12 and 14 for information on campus-based funds.

In Modules 12 (Campus-Based Programs) and 14 (Authorization, Fiscal Operations, and Reporting), we discussed the mechanism for awarding federal campus-based dollars and the flexibility allowed in managing these dollars. The following example shows the institutional student aid budget of Hometown University for the upcoming award year. It was prepared by Marge Moore, the financial aid administrator whom we met in Module 7.

EXAMPLE 1: ESTIMATING FUNDS AVAILABLE FOR AWARDS

1988-89 Hometown University Financial Aid Budget

Campus-Based Allocation		*Institutional Allocations*	
SEOG	$125,000	Academic Scholarships	$125,000
CWS (federal portion)	$420,000	Institutional Work Program	$225,000
Perkins Loan (FCC)	$373,000	Graduate Fellowships	$150,000
		Hometown University Grants	$56,000
		Graduate Merit Scholarships	$85,000

To meet increased SEOG need, a 10% transfer of the CWS allocation to the SEOG program will be made. (10% is the maximum allowable transfer.)

Supplemental Educational Opportunity Grant Program

SEOG Allocation		10% transfer from CWS		Total SEOG Funds
$125,000	+	$42,000	=	$167,000

Let S = SEOG funds available for awards.
Hometown University will take the maximum 5% administrative cost allowance (ACA).
Then SEOG administrative cost allowance = .05S

Total SEOG funds = S + .05S = 1.05S = $167,000

$$S = \frac{\$167,000}{1.05} = \$159,048 = \text{SEOG funds available for awards}$$

.05S = $7,952 = SEOG administrative cost allowance

In summary:

SEOG Allocation		10% Transfer from CWS		5% ACA		Available for SEOG Awards
$125,000	+	$42,000	-	$7,952	=	$159,048

College Work-Study Program

CWS Allocation		10% Transfer to SEOG		Available Federal CWS Funds
$420,000	-	$42,000	=	$378,000

Let C = gross CWS wages available.
Federal CWS funds will pay up to an 80% portion of this, and up to 5% ACA.

Available federal CWS funds = .80C + .05C = .85C = $378,000

C = $\frac{\$378,000}{.85}$ = $444,706 = gross CWS wages available

.85C = $378,000 = available federal CWS funds

.05C = $22,235 = CWS administrative cost allowance

.80C = $355,765 = federal portion of payroll

.20C = $88,941 = institutional portion of payroll

In summary:

80% Federal Portion of Payroll		20% Institutional Portion of Payroll		CWS Gross Wages Available
$355,765	+	$88,941	=	$444,706

Perkins Loan Program

Total Allocation		Institutional Capital Contribution (ICC)		Projected Collections		Cash on Hand		Total Perkins Loan Funds
$373,000	+	$41,444	+	$230,000	+	$19,400	=	$663,844

Let L = Perkins Loan funds available for awards.
Hometown University will take the maximum 5% administrative cost allowance.
Then Perkins Loan administrative cost allowance = .05L

Total Perkins Loan funds = L + .05L = 1.05L = $663,844

L = $\frac{\$663,844}{1.05}$ = $632,232 = Perkins Loan funds available for loans

.05L = $31,612 = Perkins Loan administrative cost allowance

In summary:

Total Perkins Loan Funds		5% ACA		Available for Perkins Loans
$663,844	-	$31,612	=	$632,232

15.2.2 Development of an Award Packaging Policy

Another preparatory element of fund management is the development of an award packaging policy. This policy is generally updated annually and is based, to some extent, on the institutional financial aid budget for that same award year. For a detailed discussion, see Module 9, Award Packaging.

15.2.3 Maintaining Student Aid Balances and Reconciling Fund Accounts

An important element of fund management is monitoring student aid fund balances and reconciling fund accounts. This includes monitoring:

- ✧ the total of all award packages offered against funds available;
- ✧ the total of award acceptances against award offers; and
- ✧ the total of disbursements authorized by the financial aid office against actual disbursements, federal funds on hand, and federal authorizations.

What: Monitoring fund balances

Who: The director of financial aid or a designated aid administrator

When: On an ongoing basis throughout the processing period

Why: To monitor spending and to prevent overspending

Award and fund monitoring takes place on an ongoing basis throughout the processing and award year, and requires the cooperative efforts of the aid administrator and fiscal officer. Institutions with automated support for financial aid management may have the benefit of reports that monitor fund balances and assist in reconciliation. Reconciliation between records of authorized awards, credits to student accounts, and expenditures from federal accounts must take place at least monthly. Such reconciliations are necessary to complete required fiscal reports.

Reconciliation of authorized awards, disbursements, and expenditures from federal student aid accounts must take place at least monthly. (See 34 CFR 674.19, 675.19, and 676.19.)

15.2.4 Filing Required Fiscal Reports

The final topic in our discussion of fund management is reporting requirements. An introductory explanation of required federal fiscal reports may be found in Module 14. In addition, there may be other federal, state, or institutional reports that the financial aid office or fiscal office staff must complete.

Module 14, Authorization, Fiscal Operations, and Reporting.

Fiscal reports are generally completed either periodically during the award year, as program reports of funds spent to date, or at the close of the fiscal year, to report

final expenditure totals. Most of these reports require account reconciliations prior to their preparation. This is a joint financial aid/fiscal office effort. Failure to complete these reports results in a loss of further funding and may eventually result in an institution's termination from participation in Title IV student aid programs. Examples of Title IV student aid fiscal reports include the Campus-Based Fiscal Operations Report (Part 1 of the FISAP), Pell Grant Institutional Payment Summaries (IPS), and Federal Cash Transaction Reports. For more information on the completion of these reports, see Module 14.

Module 14, Authorization, Fiscal Operations, and Reporting.

15.3 INTERNAL AID OFFICE MANAGEMENT

Fund management includes the mechanism for obtaining program funds for your institution, and major administrative functions for institutional management of those funds. Delivering aid to individual students, however, is achieved through an efficient flow of records through the financial aid office.

We will refer to all of the procedural steps involved in document collection, review, processing, and maintenance, as well as other aid office monitoring activities, as *internal aid office management.*

15.3.1 Steps in Processing

Before we discuss the individual functions, it may be helpful to trace a student aid application through the general steps of processing. The main steps are:

1. Intake counseling--providing information on the completion of applications (optional: materials may be submitted by mail)

2. Application tracking--collecting of required documents and supporting material

3. Determination of student eligibility--checking admission status (new students), academic status (continuing students), enrollment (planned or actual), and other general student eligibility criteria

4. Application review and verification of application data

5. Calculation of cost of attendance

6. Determination of financial need

7. Award packaging and coordination with other resources

8. Award letters

9. Finalization of awards, which includes collection of student acceptances, student loan promissory notes and other required forms, and coordination of College Work-Study job placement

10. Confirmation of eligibility for payment

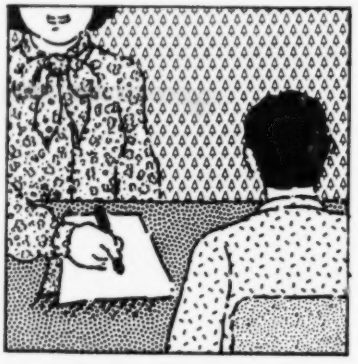
11. Award disbursement

15.3.2 Counseling

Student aid counseling is an important function of a financial aid office. Several different types of counseling are offered by the aid office.

✦ **Intake Counseling with New Students:** In large part, this involves providing general information on federal, state, and institutional aid programs, the application process, and institutional policies. It may include assistance with application materials and advice on reporting or documenting unusual family circumstances. In smaller institutions, such in-person counseling of new or prospective students may involve a formal cooperative arrangement between the admissions and financial aid offices in an effort to familiarize students with the institution and increase the likelihood of their attendance. Trained student workers or peer counselors have been used effectively in some institutions to provide this kind of counseling service.* Under federal law, students working under the College Work-Study program may not hold employment positions within an institution for recruiting purposes.

✦ **Exit Interview/Exit Counseling--Required Counseling for Stafford Loan, SLS, and Perkins Loan Borrowers:** Special default prevention counseling is required for Stafford, SLS, and Perkins loan borrowers before they complete their course of study or at the time they withdraw or leave school. Counseling must include general information on the average indebtedness of



The institution must provide Stafford and SLS loan borrowers with information on the availability of state grant assistance to both in-state and out-of-state borrowers.

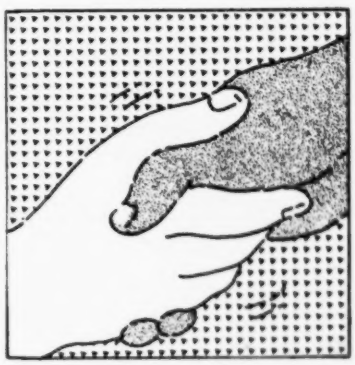
*Important: Commissioned salespeople who work as enrollment recruiters or admissions counselors are prohibited by regulation from assisting students in completing Title IV student aid applications or promoting the availability of Stafford, SLS, or PLUS loans.

students at the institution; a repayment schedule projecting average monthly repayments at the student's interest rate; a review of options for repayment (loan consolidation, refinancing, etc.); and planning the management of the debt. This counseling may be in the form of a verbal discussion with the individual borrower or a group of borrowers, or the required information may be provided in written form. If borrowers leave the institution without benefit of this counseling, the information must be sent to them at their last known address.

✦ **Counseling Sessions with Continuing Students:** These may take the form of individual or group sessions initiated by the aid office, or student-initiated sessions. Sessions initiated by the aid office are often used to gather additional information required for application processing or to distribute information or application materials in a group setting. Student-initiated sessions may involve discussing the student's award package, financial aid office policies, or special family circumstances affecting the student's ability to finance educational expenses.

✦ **Group Counseling Sessions:** These may be held for application distribution, Perkins Loan, Stafford Loan, and SLS exit interviews, advising on student budgets for school and personal expenses, debt management counseling, and student employment orientation sessions.

✦ **Outreach Counseling in the Community:** Many institutions provide professional financial aid counseling services to secondary schools and other career development programs in their area.



Regardless of the nature of the counseling, there are some common sense guidelines you should consider:

- ✧ Require student appointments. This is an effective time management tool for your office and assures the student of your undivided attention. If this is not possible, assign this counseling responsibility to staff on a rotating basis to allow others to work undisturbed. Another approach involves blocking out portions of the day or week when the office is open for walk-in appointments.

- ✧ Train counselors to provide information slowly and thoroughly, using "layman's" terms. Remember that many students approach your office with no prior information or understanding of the financial aid process.

- Do not use acronyms unless you explain what they mean. Refrain from using aid office jargon in discussing the financial aid process.

- Emphasize the need for accuracy in completion of all application forms. Mention the existing verification process to emphasize the federal government's concern for accurate data.

- Encourage the applicant to keep photocopies of all important documents such as tax returns and student aid applications.

- Make a special effort to obtain information on changed family circumstances that will affect a family's ability to contribute to educational expenses.

- Refer the student to other potential funding sources (such as state vocational rehabilitation, social services, and VA).

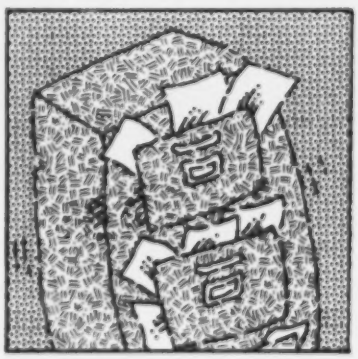
- Refer the student to other available services and counselors if there are academic or emotional problems, or other special needs.

- Record the date of the meeting and the name of the counselor handling the session. Provide a written summary of the meeting for the student's file.

- Keep group sessions as small as possible to allow for a free exchange of information and ideas.

- Make sure all counselors are well informed, can communicate effectively, and can explain aid office policy.

- Emphasize to all counselors, through training and by example, that they must respect the confidentiality of student financial information.



15.3.3 Record Management

As application forms and supporting materials arrive in your office, the first decisions regarding records management are made. How will application materials be processed and catalogued? How can documents be tracked?

Most aid office procedures involve date-stamping all materials as they are received. The process allows for the documentation of all actions taken, or not taken, on individual applications and helps to monitor the overall processing time.

The next step is establishing a student file. Most institutions establish individual, cumulative student aid files. Such files usually contain all materials collected on the student which are relevant to financial aid. The use of cumulative files is the most efficient and effective method of file maintenance in a manual aid office. The listings below provide a general guide to what the file should contain.

A. Student Files for All Aid Applicants

✦ Documents Collected Prior to Award Packaging:

- ✧ An institutional aid application *(an institutional option, but widely used)*
- ✧ A copy of the student's signed enrollment agreement or contract (primarily used by trade and technical schools) or other documentation that confirms that the student has been accepted for admission as a regular student
- ✧ A signed statement of educational purpose and Selective Service registration status and a certification statement on student loan default/grant repayment status (this is incorporated into the institutional aid application or an award letter at many institutions)
- ✧ Proof of eligible noncitizen/permanent resident status
- ✧ A Pell Grant SAR for eligible students*
- ✧ A verification worksheet and documentation collected as part of the verification process
- ✧ A need analysis report from an MDE processor or certified need analysis system used to award campus-based aid or determine eligibility for Stafford and SLS loans *(an institutional option)*
- ✧ A Financial Aid Transcript (for *all* transfer students from *all* previously attended institutions)
- ✧ A satisfactory academic progress evaluation form for continuing students
- ✧ A College Work-Study job application or placement form (*an institutional option:* information may be included in the institutional aid application, or the form may be collected later by the student employment or job placement center)

*An institution using the Pell Grant SAR FC for campus-based awards rather than a need analysis report from an MDE or NAS processor will need to collect SARs from Pell Grant-eligible and ineligible students. They must also be collected from ineligible students selected for verification by verification edits, and may be collected from all undergraduate students prior to Stafford Loan, SLS, or Perkins Loan application processing, for purposes of documenting Pell Grant eligibility or ineligibility.

Refer to Module 13 for a discussion of the verification process.

- ✧ Documentation of Pell Grant eligibility or ineligibility
- ✧ Tracking form for duration of Pell Grant eligibility, if any
- ✧ A Stafford Loan or SLS/PLUS application *(only needed if the student applies for a Stafford or SLS loan, and/or a parent applies for a PLUS loan)*
- ✧ A copy of the parents' and/or student's (and spouse's) prior tax year income tax form 1040, 1040A, or 1040EZ *(applicable if required by the verification process)*
- ✧ Documentation for any professional judgment adjustments made because of a student's special circumstances

✦ **Documents Resulting from Packaging and Awarding:**

- ✧ The institution's copy of the award letter
- ✧ The student's signed acceptance of the financial aid awards
- ✧ Institutional copies of any revised award letters

✦ **In-House Control Documents:**

- ✧ A summary sheet summarizing all in-person or telephone conversations with the student or about the student
- ✧ A document control card or checklist to monitor the applicant's file contents against required documents *(as a control system, a control card is usually kept outside the aid folder)*
- ✧ A packaging worksheet *(manual system)* or data input card *(automated system)*
- ✧ A student aid master card containing information for each award year

In automated aid offices, some documentation may be in a computer file.

✦ **Miscellaneous Documents:**

- ✧ Bureau of Vocational Rehabilitation (BVR) documents and vouchers
- ✧ Correspondence
- ✧ An institutional copy of state grant/scholarship notification
- ✧ An institutional copy of the lender's approval for a Stafford, SLS, or PLUS loan
- ✧ A photocopy of Stafford or SLS check upon receipt

Documents and vouchers from the Bureau or Division of Vocational Rehabilitation may be housed in the business or fiscal office in many institutions, since these sponsors usually must be billed for payment.

The above listing refers to individual students' cumulative files. There are other general aid documents, publications, and administrative records that may be filed separately in the aid office. (Please note that the

following is not a comprehensive list of all required student financial aid records, some of which may be kept in the business office or other institutional offices.)

B. *Administrative Files*

- The institution's Program Participation Agreement
- Pell Grant IPS reports and end-of-year Student Payment Summary
- FISAP(s) with supporting documentation
- Stafford/SLS/PLUS Student Status Confirmation Reports
- Auditors' reports (federal, state, and independent auditors)
- Scholarship files (institutional and outside donors)
- Federal program review reports and institutional responses
- Institutional self-evaluation of the financial aid office
- State grant and scholarship award rosters and payment reports

FISAP documentation includes:

- the source of data for the eligible applicant grid (SARs or CM documents);
- the data and rationale used in determining the institution's campus-based award request;
- the source of data on tuition revenues, institutionally funded student assistance, and enrollment;
- award lists and/or expenditure reports supporting Pell Grant and campus-based expenditures; and
- the location of Perkins Loan billing and collection information and data used in calculating the institution's default rate.

C. *College Work-Study Files*

- Off-campus agency files containing off-campus agency agreements and correspondence, including evidence of the agency's nonprofit or for-profit status
- Individual student files for CWS containing the student's agreement to work, a copy of the job placement form, academic and work schedule forms, evaluation forms, and copies of all time sheets. In a manual system, the aid office may also maintain a log of the student's earnings and declining CWS award balance in this file. (*Institutional option:* these documents could be included in the student's file, but they tend to make it too bulky.)

If a separate CWS student file is created, it may contain the following records:

- a copy of the student's placement contract or memorandum detailing the name of the hiring agency, the CWS supervisor, the approved award amount, work hours per week, wage rate, and length of employment;
- a copy of the student's academic and work schedule for each academic session;
- a copy of any evaluation forms for the student; and
- in manual office systems, a record of student earnings and the declining balance of the student's award.

CWS files may be housed in a placement or student employment office rather than the aid office, depending upon your institution's procedures.

D. *Perkins Loan Promissory Note Files*

Individual student files containing:

- The original signed promissory note
- A statement of the borrower's rights and responsibilities
- A personal data sheet
- The entrance/exit interview check sheet
- Correspondence with the student or with Perkins Loan billing and collection firms

You may find Perkins Loan files housed in the aid office, business or fiscal office, or student loan office, depending upon the institution. By regulation, Perkins Loan promissory notes must be housed in *locked, fireproof* containers--see 34 CFR 674.19(e)(4)(i).

- ✧ A copy of a completed Form 553, if the student's loan has been assigned to ED

Files containing Perkins Loan promissory notes must be housed in locked, fireproof containers.

Refer to Module 12 for a discussion of the Perkins Loan program.

E. Reference Materials

- ✧ Title IV, Higher Education Act legislation*
- ✧ Federal regulations
- ✧ *Federal Student Financial Aid Handbook*
- ✧ *The Pell Grant Formula, 1988-89*
- ✧ *The Congressional Methodology, 1988-89*
- ✧ "Dear Colleague" letters
- ✧ OSFA Question and Answer ("Q & As") circulars
- ✧ The *Verification Guide*
- ✧ The aid office policies and procedures manual
- ✧ The student employment handbook

*and other legislation affecting federal student aid programs

15.3.4 Approaches to Document Tracking

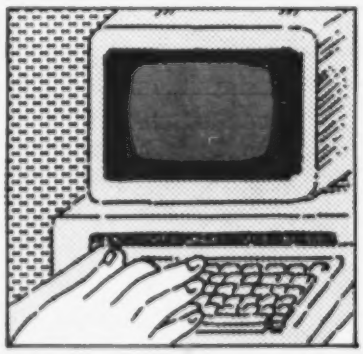
A large volume of application forms and supporting material flows into the aid office, especially during peak processing periods. The aid office must have a system that allows it to:

- ✧ track documents;
- ✧ identify the status of a file for award packaging or other processing; and
- ✧ allow for timely, routine follow-up for missing documents in student files.

Systems will vary depending upon staff size, office organization, and level of automated support.

Automated Application Tracking

For the office with automated support, any required document tracking, status reports, and follow-up requests may be compiled and generated by computer. There are several software packages available to perform these functions. In many systems, a computer file on each student is created as soon as the student's first document arrives in the aid office. A tracking form, sometimes called a *data input card* or record, is created along with the student's file to record items entered into the computer and their entry dates.



For the purpose of our discussion, a data entry form on a student will be referred to as a *data input card*. Core documents are those documents required for application processing.

As further documents are received, they are entered into the system. The computer monitors these documents against a list of core documents specified as necessary for file completion. Periodic reports identify completed files or missing documents for follow-up. Those student files identified as complete are pulled for preparation for packaging. Those students identified as having missing documents are sent follow-up request notices with the date of the request logged into the system. In some systems, the follow-up letter can be computer-generated from the information in the data base.

Manual Application Tracking

A manual system performs the same tracking job as an automated one. Generally, a document checklist or a tracking sheet is used to record incoming documents and to issue follow-up requests for missing documents. This system relies upon staff members to determine which documents are missing and send follow-up requests, and to perform need determination and award packaging when a file is complete.

File Organization to Support Application Tracking

Many institutions use a system of file organization that supports application tracking and processing. This is especially important in a manual system. In most institutions, once student files are created they are maintained in an alpha order file system. In an automated office there may be no further need to identify the status of students or their applications. If data are entered on a timely basis, the computer system identifies files that are either incomplete or complete and ready for packaging. This is not the case in a manual setting. As a result, you may find the following organizational techniques in place to assist the aid administrator in monitoring application status and ensuring efficient processing:

- *Color coding (file tabs or colored files):* You may wish to color code academic level (freshman, sophomore, undergraduate, graduate), award year, and academic or special programs

- *Grouping of files by application status:* Your file system may be divided into alpha order sections that follow processing steps. Sections could be established for:

- Incomplete
- Complete Files Awaiting Packaging
- Packaged and Awaiting a Second Review or Final Approval
- Awaiting Acceptance/Declination
- Finalized Awards (awards accepted, Perkins Loan promissory notes and other forms completed, job referral or placement completed)

Each file drawer or the entire file system could be divided in this manner, with files moved as the student's status changes. In effect, the file physically moves through the processing steps with its current position indicating the status of the application.

15.4 DETERMINING STUDENT ELIGIBILITY

The determination of student eligibility for Title IV student aid and other programs is another pre-packaging process. It starts as soon as the aid office begins to receive information on the student. Information contained in a student's application forms and supporting materials is reviewed for completeness and consistency. It is cross-checked with:

See Module 6, General Student Eligibility.

- ✧ Other institutional records.
- ✧ Other application materials from the same application year requesting the same information.
- ✧ Previous years' application materials, in the case of continuing students. Conflicting information on student dependency status and changes in family size, income, and assets are often uncovered in this kind of comparative review of data.

If the repeated, or "duplicate", information agrees, there is no problem. If questions are not answered or "duplicate" data items contain conflicting information, the missing information must be supplied and conflicting data items resolved before further processing can take place. For a review of the general Title IV student eligibility requirements, see Module 6. The chart of source documents and crosscheck documents on the next page may help you to determine student eligibility and to check the consistency of applicant-supplied data.

DETERMINING STUDENT ELIGIBILITY

Student Eligibility Item	*Possible Source Documents*	*Sources of Crosscheck*
Admission status	• Registrar's office records • Letter of admission • Admissions office status report or data base • Enrollment contract	N/A
Citizenship status	• Institutional aid application • Pell Grant SAR • Need analysis document • INS documentation	• Application for admission • Secondary school transcript • Foreign student advisor
Academic program and level (degree vs. nondegree; graduate vs. undergraduate)	• Institutional aid application • Registrar's office records • Letter of admission	• Letter of admission • Permanent academic file in registrar's office
Previous attendance at another postsecondary institution; previous degrees	• Institutional aid application • Pell Grant SAR • Need analysis report • Financial Aid Transcript(s)	• Application for admission • Permanent academic file
Prior loan default or repayment owed at your institution or any previously attended institution	• Perkins Loan billing/collection records • Letter from Stafford Loan lender or guarantee agency • Financial Aid Transcript(s) • Student certification statement • Financial aid file or data base	• Registrar's office for "hold" notice on academic records • Admissions office for "hold" notice on academic transcripts from previously attended institution(s)
Dependency status	• Pell Grant SAR • Need analysis report • Parents' 1040 (if requested) • Institutional aid application	• Application for admission • Registration form to verify parents' and students' addresses • Student account records
Prior attendance at your institution	• Financial aid data base • Master card file • Institutional aid application	• Registrar's office data base • Student accounts or business office records • Alumni office records
Outside resources	• Institutional aid application • Need analysis report • Notification from sponsoring organization (e.g. employer, state vocational rehabilitation program)	• Veterans' counselor or office records • Admissions office records • Student accounts or business office records • Athletic and academic departments • Development office
Enrollment status	• Registration records	• Class attendance rosters
Duration of Pell eligibility	• Financial Aid Transcript(s)	
Annual and aggregate loan limits	• Financial Aid Transcript(s)	

Since much of the information your office receives is student-initiated data submitted on financial aid applications, it is important that the financial aid office crosscheck data with all other available sources. The aid office should regularly receive manually prepared or computer-generated reports from other administrative offices in order to review items critical to aid eligibility.

There are three other important areas of eligibility determination that were discussed in detail in earlier modules. They are:

- ✧ Verification of applicant data. This review is required by ED (see Module 13).
- ✧ Determination that the student has not exceeded:
  - duration limits on Pell eligibility; and
  - applicable loan limits.
- ✧ Determination that the student is making satisfactory academic progress (see Module 6).

See Module 13 for a discussion of verification requirements.

See Module 6 for a discussion of satisfactory academic progress requirements.

Verification cases selected by the central processor are identified by an asterisked Student Aid Index (SAI) and Family Contribution (FC) on Student Aid Reports (SARs). Other Title IV verification cases are identified by edit comments on the need analysis reports from the MDE and certified need analysis system processors.

On the federal Student Aid Report, Title IV verification cases are identified by an asterisk adjacent to the SAI and FC.

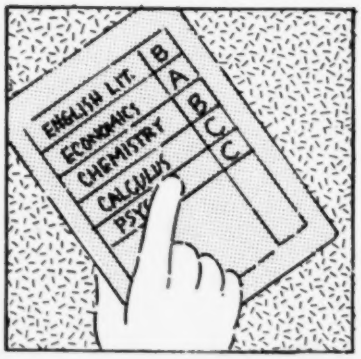
The verification process requires review of specific data items against acceptable documentation, such as federal income tax returns. Incorrect data must be corrected and student eligibility recalculated. Changes of data that result in changes in a student's expected family contribution (EFC) generally require reprocessing.

In the case of the Pell Grant program, reprocessing means returning Part 2 of the SAR to the central processor. The student then submits the valid, corrected SAR to the aid office. Verification of campus-based and Stafford Loan applicant data allows the aid administrator to recalculate the expected family contribution with corrected data to determine changes in student eligibility for those programs.

The aid administrator has the option of requesting that the student make corrections and obtain a revised campus-based need analysis report from the MDE or NAS processor (if the institution uses one) rather than doing an in-house recalculation.

For a detailed discussion of the verification process--required data items, required and acceptable documentation, tolerance options, and correction procedures--see Module 13, Verification.

Satisfactory academic progress is another major area of eligibility determination for continuing applicants. Institutional standards must meet the statutory requirement that a student must be making satisfactory academic progress to be eligible for aid under the Title IV financial aid programs.



Satisfactory academic progress policies must be applied consistently to all students within identifiable categories of students and must include both qualitative and quantitative measures of the student's academic progress. The aid administrator must determine, prior to awarding further aid (or disbursing further aid), that students are making satisfactory academic progress. This determination of progress may be made by another administrative office, in which case the aid administrator would be notified about those students not making satisfactory progress. In an institution with a separate standard of satisfactory academic progress for aid recipients, the aid administrator generally performs this review.

Regardless of the office determining satisfactory academic progress, students not meeting this eligibility requirement must be notified of their ineligibility for further aid by the aid administrator. Their status would be indicated in their files, and their applications would be removed from processing at this point in the cycle. For a discussion of regulatory requirements for standards of satisfactory academic progress, see Module 6 on student eligibility and Chapter 2 of the *Federal Student Financial Aid Handbook*.

Institutions often have an academic probation policy. This policy describes the circumstances under which a student will be placed on probation, and is usually based on grade point average. The institution's satisfactory academic progress policy may be separate from its academic probation policy. If so, students who are placed on academic probation may still be considered to be making satisfactory academic progress. See Module 6 for further information.

15.5 FILE COMPLETION, NEED DETERMINATION, AND FINAL PREPARATION FOR PACKAGING

We have now reached the stage in processing where all required documents have been received, reviewed for completeness, accuracy, and consistency, and reprocessed with any necessary corrections. All facets of student eligibility for Title IV and/or institutional aid have been checked and other outside financial resources noted. The next important step is determining financial need.

See Module 7, Calculating Cost of Attendance.

See Module 8, Need Analysis.

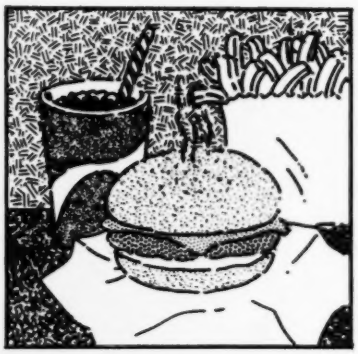
See Module 9, Award Packaging.

15.5.1 Financial Need Determination

Financial need determination for campus-based and institutional funds, as discussed in Modules 7, 8, and 9, is

based on the difference between a student's cost of attendance (COA) and expected family contribution (EFC). The aid administrator must select the appropriate cost of attendance components for the student, making documented adjustments if individual circumstances warrant them. Also, modifications are made for less than a full academic year of attendance. At the same time, the aid administrator will also select the correct Pell Grant cost of attendance (cost of education) for determining the student's Pell Grant award.

COA - EFC = ***Financial Need***



In a manual system, the student budget is entered on the student's award packaging worksheet. In an automated system, it is recorded on a data input card or form for later data entry into the computer.

The expected family contribution (EFC) is recorded or entered from either the Pell Grant SAR or a need analysis report (if an MDE processor or other certified need analysis system processor is used by the institution). The EFC and cost of attendance must be adjusted to correspond to the student's anticipated period of attendance.

Need for campus-based federal funds and institutional funds administered by the aid office is still not established until the aid administrator reviews other resources available to the student to cover these same educational expenses. These include:

- ✧ Pell Grant awards
- ✧ State grants and scholarships
- ✧ Institutional scholarships, fellowships, and student employment not administered by the aid office
- ✧ Scholarships from outside private donors
- ✧ Processed Stafford, SLS, or PLUS loans
- ✧ Other non-Title IV federal financial aid programs

Information on other institutional funds awarded or administered by other offices (such as the admissions office, athletic department, and academic departments) must be available to the aid administrator to prevent overawarding.

COA - EFC = ***Gross Need***

Subtracting the total of these awards from the initial or "gross need" figure results in a student's "net need" for campus-based and institutional funds. These outside

COA - EFC - Other Financial Resources = ***Net Need***

resources are entered on the packaging worksheet or on the data input card for entry into the computer. The institution determines the level of net need the student must show to receive further aid. This level is specified in the institution's written award packaging policy.

The determination that a student shows "no need" can be made at two different points in the need determination process:

- ✧ no "gross need" is established after subtracting the EFC from the student's cost of attendance; or

- ✧ no "net need" for campus-based and institutional funds is found, because aid the student will receive from other sources meets the student's need.

Student files are removed from the processing cycle at these two points, and students are notified of their status by the aid office. As with all written notifications of ineligibility, the students must be informed of the reasons for their ineligibility and of other non-need sources of aid that may be available. Students who are eligible for Pell Grants or other forms of assistance should receive an award letter for those awards along with their notices of ineligibility for further Title IV aid.

Students who have no *net need* for further campus-based or institutional funding, but with Pell Grant or other forms of aid eligibility, should receive an Award Notification for those awards along with their notices of ineligibility for further aid.

15.5.2 Award Packaging

Once net financial need is determined, the process of awarding funds begins. The institution's packaging policy provides the guidelines for the distribution of funds. The steps in developing an award packaging policy were covered in Module 9, Award Packaging. If properly developed, the packaging policy serves to distribute funds equitably to meet the needs of students and maximizes the use of available federal and institutional funds. Award packages are generally determined for an academic year. Students who attend for less than a complete academic year receive a prorated portion of an academic year's award.

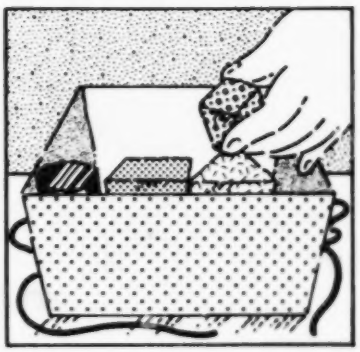
See Module 9, Award Packaging.

Award packaging in a manual setting means completing the student's packaging worksheet according to the award packaging policy. The aid administrator:

- ✧ reviews students' application data according to program-specific eligibility criteria to see if they are excluded from any types of aid (for example, graduate students are ineligible for Pell Grant and

SEOG) or are eligible for any restricted institutional grants or scholarships;

- ✧ calculates eligible students' Pell Grant awards;
- ✧ determines the amount of Stafford and SLS loan funds borrowed by each student, and PLUS loan funds borrowed by the parent for the award year;
- ✧ reviews Perkins Loan, Stafford Loan, SLS, and PLUS borrowing in relation to academic level borrowing maximums and overall debt load;
- ✧ examines student preferences in self-help assistance (student employment versus student loans); and
- ✧ documents on the packaging worksheet or data input card any special circumstances that have resulted in variations from standard policy in packaging a student's award.



The date and signature of the aid administrator packaging the awards should appear on the worksheet. As a crosscheck, many aid offices require a second review and the authorizing signature of another financial aid administrator before preparation of the student's award notification.

In an automated financial aid office, the award packaging policy is translated into a computer program almost as soon as it is developed. Testing and refinement of the program follow. Computer edits allow the program to identify specially coded students who are ineligible for certain types of aid, who do not meet other packaging policy conditions, or who require special packaging treatment. In many offices a complete computer file on the student has been created as a result of data entered at the various points in processing. When the system is provided with an authorizing code, the student's file (or a group of student files becoming complete at the same time) will be entered into the packaging program for award packaging.

Some highly automated offices use computer tapes from a need analysis processor containing student budgets, expected family contributions, and gross need in their award packaging program. This eliminates significant amounts of data entry and reduces the likelihood of data entry errors.

Output from any award packaging computer run should be examined carefully by the aid office before award letters are mailed to students.

15.6 AWARD NOTIFICATION

Institutions must provide award recipients with written notification of their awards. The award letter sent to a student should include:

- ✧ the types and amounts of aid being awarded;
- ✧ anticipated dates and method(s) of award disbursement;
- ✧ the terms and conditions of the awards and for the student's continuing receipt of aid;
- ✧ deadlines and instructions for accepting or declining awards;
- ✧ information on finalizing Perkins Loan (or other student loan) and CWS (or other student employment) awards; and
- ✧ provisions for appeals.

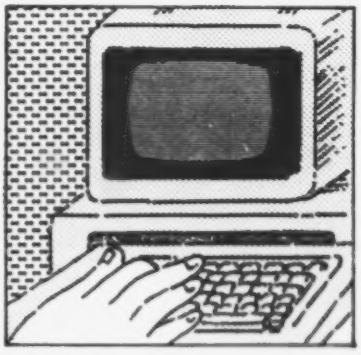
Financial aid offices must also notify students of *revisions* to awards. A revised award letter is usually mailed to the student, with a copy retained in the student's file.

In a manual aid office operation, award letters may be typed from award packaging worksheets. Preprinted, multiple-copy forms are the most effective means of producing a large number of letters in a short period of time. They provide the aid office with a student file copy, two copies for mailing to the student--one to be returned to accept or decline the awards and another for the student's records--and, if necessary, a copy to forward to the student accounts or business office for registration clearance.

In an automated office, the end product of automated award packaging is a similar preprinted, multiple-copy award letter. To generate award letters, the computer prints information from the master file (such as name, address, and Social Security number), from award files, and possibly from other files to generate award letters. As with the manual system, multiple-copy forms are generally used.

Because most institutions want to maximize the use of available funds, most award letters contain strict deadline dates for student responses--usually two to three weeks. Some offices send one follow-up warning request for a student response, or allow a one-week grace period after the deadline before cancelling a student's award.

As acceptances are received, they are placed in the students' files. In a file system organized by student status, the file also physically moves--probably to a "finalized" section of the files. Declination (declining an award) requires that the student's file be pulled and the declination recorded on the packaging worksheet or data input card for data entry. Declinations in a manual operation must also be recorded on a cumulative award record maintained by the aid office. Data entry of declinations in an automated system generally updates simultaneously both the student's file and the institutional award file.



Automated systems allow the aid office to produce lists of students with upcoming deadline dates for easy retrieval and cancellation of awards. Manual or partially automated offices without this capability may choose to use a system of file organization to monitor this. Student files containing an award letter file copy are placed in a "Pending Student Response" or "Awaiting Acceptance/ Declination" section of the file system until the deadline date has passed.

For those awards awaiting a response, grouping student files or flagging award letters by computer are important records management tools. Student awards represent a commitment of institutional funds, funds that are unavailable for re-awarding while the student's response is pending. This is an important aspect of any fund management system. An aid office needs to identify and efficiently monitor student awards (accepted, declined, or cancelled), maintain an accurate picture of its funding situation, and to re-award newly available funds. While the automated office can effectively monitor this by flagging student records, manual offices must rely upon file organization or similar tools to do the same job.

For the Perkins Loan and CWS programs, there are additional steps involved in the completion of student awards after the receipt of a student's acceptance. The required steps are described in the following sections.

15.6.1 Perkins Loan Awards

Students accepting Perkins Loan awards must complete required documents and receive special counseling regarding their loan obligations.

In Module 12, we used the term *entrance interview* for these loan counseling sessions. As part of the session, student borrowers must:

- read and sign a Perkins Loan Statement of Borrower's Rights and Responsibilities;
- complete a Personal Data Sheet containing background information on themselves; and
- sign their Perkins Loan Promissory Note.

See Module 12, Campus-Based Programs: SEOG, CWS, and Perkins Loan.

Perkins Loan *entrance interviews* are required only for *new* borrowers. *Continuing* borrowers may simply report to sign for their next Perkins Loan advance after accepting their awards.

These sessions, as well as the required Perkins Loan exit interviews with borrowers, may or may not be the responsibility of the aid office. They are often scheduled prior to the start of an academic term or program as group sessions for new borrowers. If the aid office is responsible for holding these sessions, it must:

- notify the borrowers of the Perkins Loan entrance interview requirement;
- schedule and hold the sessions;
- establish Perkins Loan promissory note files to hold the materials completed at the sessions; and
- forward information on new borrowers to the institutional office responsible for Perkins Loan billing (such as the fiscal or business office or student loan office) or to the Perkins Loan billing service (if the institution uses one).

15.6.2 College Work-Study Program

Finalizing College Work-Study awards involves the following steps in the aid office:

- developing CWS jobs;
- placing students in CWS positions or referring them to a student employment office for job placement; and

- ✧ processing the CWS time sheets for payroll.

Time sheets are usually retained by the office that processes payroll. However, some aid offices collect, review, and retain a copy of CWS timesheets before forwarding them to the payroll or business office.

As discussed in Module 12, the level of aid office involvement in these aspects of the program often depends upon the size of the institution and its CWS program. At a minimum, the aid office refers eligible students to a separate student employment office for job placement. At many institutions, the aid office may be responsible for:

See Module 12, Campus-Based Programs: SEOG, CWS, and Perkins Loan.

- ✧ developing jobs on campus and with eligible off-campus employers, including the collection of suitable job descriptions and documentation of:
  - the reliability of off-campus employers;
  - the relevance of jobs to student educational and vocational goals;
- ✧ ensuring that the proportion of CWS funds used for student employment at private, for-profit organizations does not exceed the 25% limit;
- ✧ developing CWS forms including time sheets, off-campus agency agreements, placement forms, and evaluation forms;
- ✧ placing students in CWS positions;
- ✧ maintaining off-campus agency files and CWS student files;
- ✧ collecting, reviewing, and initial processing of CWS time sheets prior to merging them with the institutional payroll; and
- ✧ monitoring individual student earnings and total CWS expenditures.

15.6.3 Overawards

Overawards are referred to as *overpayments* in the Pell Grant program.

Refer to 34 CFR 674.14, 675.14, and 676.14 for the regulatory provisions for identifying and handling overawards.

Earlier in the discussion, we stressed that the financial aid office needs to receive information routinely on all sources of student assistance awarded or managed by other administrative offices. Regulations prohibit an institution from awarding financial aid in excess of a student's documented need. Coordination among institutional offices involved in providing assistance to students prevents this kind of overaward situation from developing in the award packaging process. However, this does not address the problem of assistance which the aid office was unaware of during packaging, or assistance

that the student received after packaging. These other *student resources* may include late state grants or scholarships awards or other privately funded loans or scholarships.

The aid office has an ongoing responsibility to maximize its use of available student aid funds by equitable distribution of them. This includes revising awards and redistributing funds to other needy students should students receive any funds that would exceed their documented financial need by $200 or more.

Title IV regulations specify that the institution is responsible for collecting overpayments from students or, failing that, repaying them to program accounts with institutional funds.* The following are recommended steps to accomplish this:

Step 1. Examine the student's need to see if he or she has additional need that was unanticipated at the time the original awarding took place. If there is additional need, document the nature and amount of this need. The aid administrator should modify the student's budget (COA) and resulting need by this amount.

Step 2. If there is no additional need, or the overaward is still in excess of $200, cancel any loans or grants not yet paid to the student or the student's account (other than a Pell Grant) that would cause need to be exceeded by more than $199.

Step 3. If Steps 1 and 2 are not applicable, or the amount of the overaward is still $200 or more, bill the student for the amount of the overpayment and refund any money collected to the appropriate federal student aid account. (If unsuccessful in collecting the overpayment, the institution may be required to repay these accounts.)

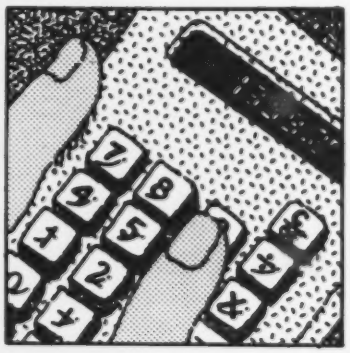
Step 4. If the overaward still exceeds the student's need by $200 or more after Steps 1 and 2 and the overaward is from excess student earnings, the institution must determine if the student will be enrolled during the next academic year. If the aid administrator can document the student's intention to enroll during the next academic year, the amount that exceeds $199 should be treated as a resource to pay the student's cost of attendance for the following year. If the student will not be enrolled, no further action is necessary.

Examples of *students' resources* may include but are not limited to:

- Pell Grant funds
- waivers of tuition and fees
- scholarships or grants, including ROTC and athletic scholarships
- fellowships and assistantships
- insurance programs for educational purposes
- long-term loans made by the institution
- VA vocational rehabilitation benefits

This list does not include resources included in determining the EFC.

*Pell Grant regulations (34 CFR 690.79) state that the student is liable for any overpayment of Pell Grant funds. The institution is liable if it fails to follow the Pell Grant procedures for recovery of overpayments outlined in 34 CFR 690.79. The institution must repay the Pell Grant account if it is unable to collect the overpayment from the student.



However, an institution may not use CWS funds to pay a student after he or she has earned $200 over his or her financial need.

15.6.4 Student Appeals

One of the student's rights in the financial aid process is the right to appeal. This may include appeal of an ineligibility determination based on lack of financial need or failure to make satisfactory academic progress, or appeal of the student's packaged award amounts. Aid offices must develop procedures for dealing with student appeals. Most institutions provide information on appeal procedures with their award notifications and in their published consumer information. Appeal procedures will differ from one institution to another. For example, appeals may be:

At some institutions, procedures for financial aid *appeals* may be outlined under overall institutional grievance policies. New aid administrators should determine if such policies exist and develop appeal procedures in accordance with these policies.

- ✧ directed to and evaluated by the director of financial aid; or
- ✧ evaluated by a group of financial aid office staff members; or
- ✧ directed to the aid office and evaluated by a financial aid committee.

Financial Aid Committee: This is generally made up of financial aid office staff, other administrators, and student representatives. It also assists the aid office in the development of major financial aid policies.

The following procedural approaches should be considered when establishing policies for student appeals:

- ✧ Appeals should always be written, with supporting documentation attached.
- ✧ Appeals should be reviewed as soon as possible after they are received. If there is a large volume, appeals should be heard on a regularly scheduled basis (for example, weekly or every two weeks).
- ✧ Written responses to appeals should be prepared and mailed to students as soon as administratively possible after the decision on an appeal is made.
- ✧ The appeal, any supporting documentation, and a copy of the written response should be included in the student's financial aid file.
- ✧ Students making appeals should be provided with the opportunity to meet personally with the individual or committee evaluating the appeal.

- ✧ Decisions on appeals should be consistent with financial aid office policy and must not violate federal regulations when Title IV funds are involved.

15.7 AWARD DISBURSEMENT

Disbursing awards represents the last phase of the application processing cycle we have been tracing. Federal regulations state that the office awarding aid to students must not also disburse funds. The separation of responsibilities requires coordination between the financial aid and business or fiscal offices.

For regulations on award disbursement, see: Perkins Loan 674.16; SEOG 676.16; CWS 675.16; Stafford Loan/ SLS Subpart D, 682.604.

Disbursement does not simply mean that the business office prepares checks or credits student accounts. It involves aid office determination that students are eligible for payments followed by its authorization to the business office to disburse. This process is complicated by changes in student enrollment status and withdrawals that necessitate award adjustments by the aid office.

Disbursement procedures have been discussed in Modules 10, 11, and 12. Awards are paid each payment period. Disbursements may be paid directly to the student by check or credited to the student's account. Credit to the student's account for a Pell Grant may not exceed the amount due the school for tuition, fees, and a room and board contract (if any), unless the student requests in writing that an additional amount be held. Institutions are required to inform students of the disbursement amounts, method of payment, and approximate scheduled dates of payment.

Direct Payment by Check

- Some institutions prepare co-payable checks to the student and the school up to the amount that the student owes the institution. These checks require the student's endorsement before crediting to a student's account can take place.
- Other institutions prepare checks payable to the institution on behalf of the student up to the amount owed the institution.
- In both cases, any excess funds are delivered to the student.
- If cumulative checks are used rather than an individual check for each type of aid, the aid sources and amounts making up the total should appear on the check. Credits to student accounts should clearly show each aid source and amount (for audit purposes).

Stafford and SLS loan funds must be sent directly to the institution. Stafford Loans, and SLS loans made after October 1, 1988, must be disbursed in two or more installments (multiple disbursement) if the loan is for $1,000 or more and the period of enrollment is more than 6 months, 1 semester, 2 quarters, or 600 clock hours. If a multiple disbursement is required on a Stafford or SLS loan, no disbursement may exceed one-half of the loan amount. In addition, at least one-third of the total enrollment period for which the loan was borrowed must pass before a second disbursement may be made.

The earliest point at which an institution may disburse funds depends upon the method of disbursement:

- 10 days before the first day of classes of a payment period, for registered students who are paid by check.

- 3 weeks before the first day of classes of a payment period, for registered students whose funds are credited to their accounts.

15.7.1 Evaluation of Student Eligibility

Before payment may be made, the institution must have procedures in place to:

- confirm student eligibility;

- make necessary award adjustments;

- authorize payment; and

- modify payments already authorized. (This may be necessary if the institution disburses aid prior to the beginning of classes.)

This involves asking the following questions on enrollment and other student status factors:

- *Enrollment:*
  - Does the student meet the minimum enrollment status requirements?
  - Is the student actually in attendance?
  - Is there a change in the level of enrollment, and therefore in costs, which requires award modifications?

- *Other Student Status Factors:*
  - Is the student making satisfactory academic progress?
  - Is the student a degree/certificate-seeking student?
  - Is a continuing student *repeating* courses under circumstances in which program funds cannot be used?
  - Has a continuing student reached his or her limit of financial aid for *remedial* coursework?

Confirming student status, registration, and attendance requires the review of institutional records usually compiled by a registrar's or student records office. Depending upon the institution's registration system and level of automation, these might be:

Records used to verify enrollment or other student status factors must be retained by the institution and made available to auditors and other authorized officials.

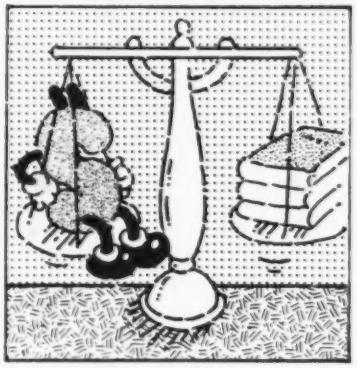
Repetition of Courses--Pell Grant Recipients: If a student repeats a course in which an "incomplete" grade was given, then the repeated hours may not be included in enrollment status.

Limits on Remedial Coursework Allowed under Title IV Regulations: Students are limited to payment for the equivalent of one academic year of noncredit or reduced credit remedial work, except for courses in English as a second language (ESL).

- ✧ copies of individual registration forms or class attendance rosters;
- ✧ class attendance lists;
- ✧ computer print-outs of registration records; or
- ✧ on-line computer access to registration files.

15.7.2 Changes in Awards

The aid office's eligibility review will determine which student awards may be authorized for payment and which must be cancelled or modified. Award changes and cancellations require the following steps:



Step 1. Retrieve the student's file.

Step 2. *Manual Systems*--Modify or cancel the award on the packaging worksheet. Record the change and the reason for it. Sign and date the worksheet.
Automated Systems--Record the change and the reason for it in the student's file. Sign and date the file entry. Record the change on the data input card for entry into the computer system.

Step 3. Generate a revised award letter or notice of cancellation and mail it to the student.

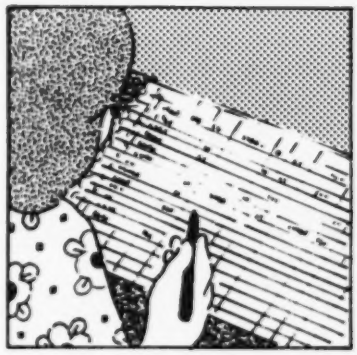
Step 4. *Manual Systems*--Instruct the business or fiscal office to change the student's account. Update the award record sheet or similar listing of all awards in the aid office.
Automated Systems--No action is necessary, because changes the aid office enters in the award file will be reflected on student accounts when the aid office or business office initiates a merging of those computer files.

15.7.3 Authorization to Disburse

Following verification of student eligibility and award modifications, awards may be authorized for crediting to student accounts or for making direct payments to students. This involves coordination with the business or fiscal office, since the financial aid office authorizes payments but the fiscal or business office is responsible for actual disbursement.

Distribution of Responsibilities: An institution must administer the Title IV programs with adequate checks and balances in its system of internal controls. This includes dividing the functions of authorizing payments and disbursing funds so that no office has responsibility for both functions with respect to any particular student aided under the programs. 34 CFR 668.14.

Methods of authorizing and disbursing award payments and tracking total expenditures vary from institution to institution. It is largely dependent upon the level of automation the institution employs. You may find one of the following methods in place at your institution.



Manual Systems

Step 1. Lists of authorized awards for each type of aid or for each student are prepared for each payment period. These generally contain the student's name, Social Security number, and award amounts and sources being authorized for the payment period.

Step 2. The authorizing aid administrator signs and dates this award list, retaining a copy for aid office records.*

Step 3. A signed copy of the list is forwarded to the business or fiscal office.

Step 4. The business or fiscal office credits student accounts with these amounts, or checks are prepared in these amounts for crediting or direct payment.

Automated Systems

Step 1. Awards and changes to awards are entered in the computer award file during the awarding and verification processes.

Step 2. *Variation 1*--The financial aid office computer programs are not integrated with the student accounts system. Therefore, the aid office prints a list of awards authorized for payment and forwards it to the business or fiscal office in the same manner as in a manual system. Award totals from these lists document the amount of federal funds that may be transferred into institutional accounts.
Variation 2--There is an integrated data base. The aid office authorizes a merging of the computer award file and student accounts file and accounts are credited. Summary reports of the total award credits by type of aid are usually available. This provides back-up documentation for the transfer of funds from federal student aid accounts into institutional accounts.

*Preprinted, multiple-copy carbonless forms are useful for this purpose. Aid office copies should be stored in readily accessible binder notebooks or files for easy reference. For easy reference, organize the authorization lists by type of aid, payment period, and date of authorization.

15.8 CHANGES IN STATUS, REFUNDS, AND REPAYMENTS

You have verified student eligibility and authorized aid payments based on current student status. What happens if that status changes? What if that enrollment change is the student's complete withdrawal? What steps must an institution take to recover funds that have been disbursed for an entire payment period when a student withdraws? These issues bring us to a discussion of award changes and refunds to Title IV accounts.

Remember that SEOG, Perkins, and Pell funds are paid to students by payment period. *For refund purposes, Stafford Loan, SLS, and PLUS funds are also apportioned or earned according to those same payment periods.*

15.8.1 Developing an Institutional Refund Policy

Each institution that participates in Title IV programs must establish and publish a general refund policy that states how much money will be returned to the "purchaser" of education for the periods of education not completed. A school's refund policy is used to refund unearned tuition, fees, and room and board charges when a student does not enroll for a period of attendance or does not complete the period of attendance. The refund policy must:

- ✧ be fair and equitable;
- ✧ meet the requirements of applicable state laws; and
- ✧ meet refund standards established by the institution's nationally recognized accrediting agency. If no such refund standards exist, institutional standards must meet the refund policy standards published in Title IV program regulations.

See 34 CFR 682, Appendix A, for guidance on the development of an institutional policy if no accrediting agency standard exists.

Some examples of institutional refund policies are provided on the next page.

EXAMPLES OF INSTITUTIONAL REFUND POLICIES

Example: Credit-Hour, Term-Based Institutions

Refunds of Tuition and Fees

A student who withdraws for personal or medical reasons, is suspended, or is dismissed, will receive a refund of tuition and fees according to the following schedule:

- Prior to the end of the first three weeks of classes--80% refund.
- During the fourth or fifth week of classes--40% refund.
- After the fifth week of classes--no refund.

Refunds of Other Expenses

On- and off-campus room and board expenses will be prorated for a 15-week semester (according to the number of weeks in the semester). Refunds will be calculated based on the number of weeks the student attended and the corresponding prorated expenses.

Books, supplies, and miscellaneous expense allowances will be considered to be expended at the beginning of each semester.

Example: Clock- or Credit-Hour, Nonterm Institutions

Refunds of Tuition and Fees

For a student who officially withdraws from the institution or terminates attendance in a course of training, the following schedule will be used to calculate tuition refunds:

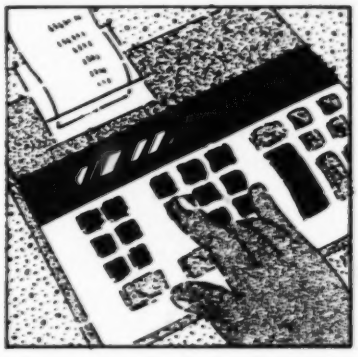
- Within the first week of classes--90% of the course contract price will be refunded. (Final charges to the student may not exceed $350.00.)
- Within the first 25% of the course--75% of the course contract price will be refunded.
- After 25% course completion, but before 50%--50% of the course contract price will be refunded.
- After 50% course completion--no refund.

Refunds of Other Expenses

Living expense allowances calculated for the student's entire academic program will be prorated according to the student's period of attendance. Attendance for a portion of a week is calculated as an entire week. Books, supplies, and miscellaneous expense allowances are assumed to be expended in equal amounts at the beginning of each payment period.

An institution is responsible for developing its own refund policy, for publishing the policy, and for implementing procedures that ensure that the following steps are taken:

- Identification of students who are subject to a refund calculation. (Most institutions have specific deadline dates and withdrawal procedures.)
- Identification of cases in which Title IV funds are unclaimed. (Institutions must have a reliable system to identify aid recipients who have withdrawn and to notify the aid office of student withdrawals.)
- Calculation of a total institutional refund amount.
- Application of the *distribution formula* (established by regulation) to determine how much of the institutional refund must be returned to the Title IV programs. This formula is shown on page 39.
- Application of the institution's Title IV refund *allocation policy*. The allocation policy establishes the order in which the various Title IV programs will be refunded. An example of an institutional allocation policy is shown below.



EXAMPLE OF AN INSTITUTION'S ALLOCATION POLICY FOR TITLE IV REFUNDS

Allocation Policy for Title IV Refunds

The institution will apply the following priorities in refunding to Title IV programs:

- 1st to SEOG
- 2nd to Perkins Loan
- 3rd to Stafford Loan
- 4th to SLS
- 5th to Pell Grant
- 6th to State Grant (including SSIG)
- 7th to Institutional Scholarship*
- 8th to Student*

*If a student received aid from non-Title IV programs or made a cash payment for institutional charges, the institution's policy may include refunds to these sources. The student may be repaid *only* after 100% of the Title IV refund (other than CWS) has been returned to the Title IV programs.

15.8.2 Status Change Before Classes Begin

We have already stated that a student must be registered and in attendance to receive an award payment. If, before the first day of classes, the student officially or unofficially withdraws or is expelled, the institution must:

- ✧ make a *full refund* to Pell Grant, SEOG, and Perkins Loan program accounts; and
- ✧ send a *full refund* to the lender for Stafford and SLS loans.

These full refunds must include all payments made for institutional and noninstitutional costs.

A full refund of Title IV program funds to the institution's federal student aid accounts must take place if a registered student never actually begins class attendance. In the case of a loan payment, all the money is due back to the lender, even funds paid to a student for noninstitutional costs.

15.8.3 Change in Enrollment Level Before or Within a Payment Period

If students change their enrollment level, the action to be taken depends on when the change occurs:

Before a Payment Period

Pell Grant Awards	Award amounts must be modified. See Module 10 for details on Pell Grant changes. Students must remain enrolled at least half-time to be eligible for a Pell Grant.
Campus-Based Awards (SEOG, Perkins Loan, and CWS)	Award modifications depend upon institutional policy and changes in financial need. Reduced need due to reduced costs following a change in enrollment may require award revision or cancellation.

Any Stafford or SLS loan check received (either *before* or *during* a payment period) for a student who is no longer enrolled at least half-time must be returned to the lender.

Within a Payment Period

Pell Grant Awards	An institution may modify an award, but this is not required.
Campus-Based Award	An institution may change a student's award, but this is not required.

If an institution elects to change student awards within a payment period, this must be done consistently for all students.

15.8.4 Student Withdrawal or Expulsion After the First Day of Classes

If a student withdraws, drops out, or is expelled on or after the first day of classes, and if the student received Title IV funds, the institution must determine whether all or part of the funds must be refunded to Title IV accounts.

The regulations governing the administration of Title IV funds describe the circumstances under which a refund must be made to the Title IV programs when a student leaves school. Formulas provided in the regulations show institutions how to determine what portion of a refund must be returned to Title IV accounts.

[illegible] for regulations on institutional refunds.

It is important to distinguish between two categories of refunds which may be due to Title IV accounts or the student:

✦ **Institutional *Refunds*:** These are refunds of payments made by students for *institutional* charges (tuition, fees, and contracted room and board expenses) out of financial aid or other funds. The *refund* equals the amount originally paid for a payment period minus the amount retained by the institution to cover the portion of the payment period while the student was in school. In addition to refunding the Title IV program accounts, a portion of the refund may be payable to the student.

- The term ***refund*** is used in regulations to refer specifically to ***refunds by institutions of payments made to them for institutional charges.*** *Institutional charges* are tuition, fees, and room and board expenses if they are contracted with the institution.

✦ ***Repayments* of Disbursements for Noninstitutional Costs:** These are repayments of financial aid disbursements to students for *education-related, noninstitutional* costs for the payment period.* Once a student withdraws, all or part of these funds may represent an *overpayment* since they will no longer be used for education-related expenses. The student is asked to repay these Pell Grant, SEOG, and Perkins Loan funds to the institution's student aid accounts.

- The term ***repayment*** refers to the return of funds paid *to the student* for *noninstitutional* costs. *Noninstitutional educational costs* may include, but are not limited to, room and board (if not contracted with the institution), books and supplies, transportation, and miscellaneous expenses.

*The original disbursements to students for noninstitutional, education-related expenses are sometimes referred to in the aid community as "student refunds." A student who withdraws may need to pay back all or part of the "student refund" to the institution.

15.8.5 Refunds to Title IV Programs

Regulations specify the *distribution formula* which institutions must use to determine the portion of an *institutional* refund that must be refunded to Title IV accounts. For the *payment period*, the minimum amount to be refunded to Title IV programs is the *lesser* of:

- ✧ the amount of Title IV money (other than CWS) received for the payment period, or
- ✧ the amount calculated with this formula:

$$\text{amount of refund} \times \frac{\text{total amount of Title IV aid (minus CWS earnings) awarded for the payment period}}{\text{total amount of all aid (minus all work earnings) awarded for the payment period}} = \text{amount to be returned to Title IV accounts}$$

Stafford/SLS/PLUS Loan Refund Procedures

For Stafford, SLS, and PLUS loans, the formula includes only the portion of the total loan that is attributed to the payment period(s) for which the student attended, which may not be the total amount of the loan disbursement(s) that the lender has sent to the school prior to the student's withdrawal. Example 1 illustrates this point.

Example 1: Loan Refund Procedures

Anne Smith's contracted tuition and fee cost for a business school program is $5,000. She is awarded the following aid:

Pell Grant	$1,000
Perkins Loan	500
Stafford Loan	2,625
SLS	1,500

She is enrolled in a 6-month program which begins on September 1. The midpoint of her program will be December 1. The lender sends the school disbursements of $1,250 for the Stafford Loan ($1,312 minus the origination fee and insurance premium) and $700 ($750 minus fees) for the SLS on August 20, and Anne pays the school $2,700 toward her tuition.

Anne withdraws from the program on November 15. Meanwhile, the lender has sent the second disbursements of her Stafford and SLS loans (checks of $1,250 and $700) to the school, and the school has credited this $1,950 toward the $2,300 remaining on Anne's tuition bill.

An institution may hold disbursement checks for Stafford or SLS loans for up to 45 days before delivering them to the student. This practice may help to reduce the administrative work involved in refunding loan funds not earned for subsequent payment periods but received while the student is still enrolled.

On November 30, the school verifies that Anne is no longer enrolled. Anne is therefore not eligible to receive the second disbursements of the loans, which are attributable to the second payment period of Anne's program. The school must now withdraw the $1,950 from Anne's account and return the loan funds to the lender, even though Anne still owes $2,300 on her contracted tuition. This is because Stafford and SLS awards are apportioned by payment period. The *total* amount of Stafford and SLS loans *awarded for the first payment period, without considering any fees subtracted* ($1,312 + $750 = $2,062) is the figure to be included in the distribution formula on the previous page.

The case study on page 43 illustrates refund calculations for a credit-hour, term-based institution. It uses the term-based institutional refund policy and Title IV distribution policy shown on previous pages.

15.8.6 Repayments of Disbursements for Noninstitutional Costs

Students who receive cash disbursements ("student refunds") for noninstitutional costs, and who withdraw *before the first day of classes*, must make a repayment to the institution. For students who do not attend a single day of the loan period for which a Stafford, SLS, or PLUS loan is intended, all loan funds paid for both institutional and noninstitutional costs must be returned to the lender.

For students who withdraw, are expelled, or drop out *after the start of classes*, the institution must determine whether a repayment of Title IV funds (other than CWS, Stafford Loan, SLS, and PLUS) is due. The student is required to repay that portion of the disbursement that is now considered an overpayment. The institution is expected to:

- ✧ calculate the repayment amount and bill the student for it; and
- ✧ use its allocation policy in returning funds to Title IV accounts.

When figuring the amount of the overpayment, do not count any aid from the CWS, Stafford Loan, SLS, or PLUS programs in the cash disbursement. Aid from these programs is excluded from the repayment formula.

To calculate the amount of the overpayment, the institution must:

- ✧ document the student's date of withdrawal or, if the student dropped out, the last recorded date of attendance (if the institution is unable to document that date, all Pell Grant, SEOG, and Perkins Loan program funds paid to the student for noninstitutional costs are an overpayment);
- ✧ identify the aid sources that made up the disbursement; and
- ✧ determine the amount the student received as a cash disbursement for noninstitutional costs and subtract the portion of these costs that the student could reasonably have incurred for the actual period of attendance.

If the school finds that the student's living expenses incurred up to the time of withdrawal exceed the amount of cash disbursed, the student has not been overpaid. However, if the cash disbursement was greater than the student's living expenses up to the withdrawal date, the excess amount is an overpayment.

The portion of the overpayment that must be returned to Title IV programs is the *lesser* of:

- the amount of assistance received under Title IV programs other than CWS, Stafford Loan, PLUS, or SLS; or

- the amount calculated using the following formula:

$$\text{amount of overpayment (determined by institution)} \times \frac{\text{total amount of Title IV aid (minus CWS earnings and Stafford/SLS/PLUS loans) awarded for payment period}}{\text{total amount of aid (minus all work earnings and Stafford/SLS/PLUS loans) awarded for the payment period}} = \text{amount to be returned to Title IV accounts}$$

For an example of this calculation, see the second part of the following case study.

CASE STUDY: INSTITUTIONAL REFUNDS AND REPAYMENTS OF FUNDS FOR NONINSTITUTIONAL COSTS

Henry Wong withdraws from the institution after the fourth week of classes in the first semester of his junior year. He had received student financial aid as follows:

Student Aid Received for the Payment Period

Pell Grant	$1,050
SEOG	300
Perkins Loan	250
Stafford Loan	1,250*
State Scholarship	350
•Total Non-CWS Aid	3,200
CWS Earned to Date of Withdrawal	300
•Total Aid	$3,500

Institutional Costs (One Semester)

Tuition	$1,450
Fees	75
•Total Costs	$1,525

Cash Disbursement for the Payment Period

Total Non-CWS Aid	$3,200
- Institutional Costs	- 1,525
•Cash Disbursement	$1,675

*One half of a $2,650 loan minus $150 insurance and origination fees.

Henry resides off campus. The institution uses a semester system with 2 payment periods in the academic year.

DETERMINING THE TITLE IV PORTION OF THE *INSTITUTIONAL REFUND* AND APPLYING THE INSTITUTION'S ALLOCATION POLICY

According to the institution's refund policy, 40% of the institutional costs are refundable.

$1,525 x .40 = $610 total institutional refund

What portion of this refund is payable to Title IV accounts, and what is payable to Henry?

Applying the refund distribution formula on page 38, the portion of the total $610 institutional refund to be refunded to Title IV accounts is:

$$\frac{\$1,050 + \$300 + \$250 + \$1,325 \text{ (no CWS or state schol.*)}}{\$1,050 + \$300 + \$250 + \$1,325 + \$350 \text{ (no CWS; includes state schol.)}} \times \$610$$

$\frac{\$2,925}{\$3,275}$ x $610 = $545 institutional refund to Title IV programs

$610 - $545 = $65 institutional refund payable to Henry**

*State scholarships containing Title IV SSIG funds would be included in the total amount of Title IV aid.

**These funds might be repaid to the state scholarship program, depending on state requirements.

Applying the institution's allocation policy (see page 37) for refunds to Title IV programs:

1st to SEOG	$300 (full refund of original award)
2nd to Perkins Loan	245 (partial refund of original award)
3rd to Stafford Loan	0
4th to Pell Grant	0
5th to State Scholarship	0
6th to Institutional Scholarship	N/A
7th to Student	0
•Total Institutional Refund	$545

DETERMINING THE *OVERPAYMENT* OF TITLE IV FUNDS FOR *NONINSTITUTIONAL COSTS* AND APPLYING THE INSTITUTION'S ALLOCATION POLICY

Henry Wong withdrew after the fourth week of classes. To determine the amount Henry received in a cash disbursement for the semester's noninstitutional costs, the following steps must be followed:

Step 1. Determine the amount the student received as a cash disbursement for noninstitutional costs. From the previous page, the cash disbursement for the payment period was $1,675.

Step 2. Identify the sources of aid that made up the cash disbursement. The institution has a policy of crediting Pell Grant and Stafford Loan funds to student accounts before other aid. For this reason, it is able to identify the aid sources that paid for *institutional costs* and those that made up the *cash disbursement*.

Institutions must develop a method for identifying the sources of aid that make up cash disbursements to students for noninstitutional costs.

Total Institutional Costs:		$1,525
Paid By:	Pell Grant:	$1,050 (*all* used to pay for institutional costs)
	Stafford Loan	$ 475 (*portion* of the loan used to pay for institutional costs)

Therefore, the sources of the *cash disbursement* were:

Stafford Loan	$775 (*portion* of the loan left after paying institutional costs)
SEOG	300
Perkins Loan	250
State Scholarship	350
•Total Cash Disbursement	$1,675

Subtract the Stafford portion of the refund, since the formula excludes Stafford/SLS/PLUS funds in a revised cash disbursement figure for determining the overpayment:

Total Cash Disbursement	$1,675
- Stafford Portion	-775
•Net Cash Disbursement (for calculating overpayment)	$900

Step 3. Calculate the noninstitutional costs that the student could reasonably have incurred during the attendance period. The institution's refund policy states that noninstitutional expenses are prorated for the 15 week semester. To determine the expenses Henry reasonably incurred for his 4 weeks of attendance, perform the following calculations:

Room and Board $\frac{\$1,525 \text{ per semester}}{15 \text{ weeks}} \times 4 \text{ weeks} = \$408$

Transportation $\frac{\$300 \text{ per semester}}{15 \text{ weeks}} \times 4 \text{ weeks} = \$80$

Books, Supplies, & Miscellaneous = $150

$408 + $80 + $150 = $638 = total costs incurred by the student

The overpayment is the difference between the $900 net cash disbursement and the total costs incurred of $638:

Overpayment to student = $900 - $638 = $262
Henry must therefore repay $262 to the institution.

Step 4. Calculate the portion of the overpayment that the institution must refund to Title IV accounts. This is done by applying the following formula:

$$\text{overpayment} \times \frac{\text{total amount of Title IV aid (minus CWS earnings and Stafford/SLS/PLUS loans) for the payment period}}{\text{total amount of aid (minus work earnings and Stafford/SLS/PLUS loans) for the payment period}}$$

$$\$262 \times \frac{1050 \text{ (Pell Grant)} + 300 \text{ (SEOG)} + 250 \text{ (Perkins Loan)}}{1050 \text{ (Pell Grant)} + 300 \text{ (SEOG)} + 250 \text{ (Perkins Loan)} + 350 \text{ (State Schol.)}}$$

= $215 minimum refund to Title IV

Refund amounts to specific Title IV programs using the institution's allocation policy (remember that some programs have already received payments through the institutional refund):

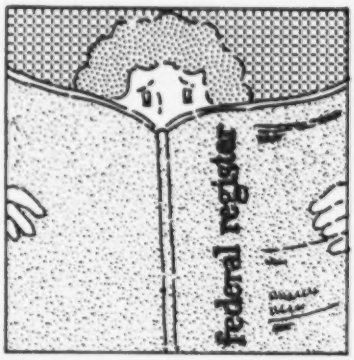
1st to SEOG	$0	(SEOG already fully refunded)
2nd to Perkins Loan	5	($245 of original $250 award already refunded)
3rd to Stafford Loan	N/A	
4th to Pell Grant	210	(completes minimum $215 refund to Title IV)
5th to State Scholarship	47	
6th to Institutional Scholarship	0	
•Total Refund from Overpayment	$262	

15.9 RECORD MAINTENANCE AND RETENTION

It should be clear from our discussion of records management that for every year an institution participates in Title IV programs, it collects and internally generates a significant volume of documentation. Regulations specify which of these records must be maintained and their retention period. The requirements for record maintenance and retention encompass more than the financial aid office's operations. They are institution-wide and include financial aid office, fiscal, and general institutional records.

For regulations on the institution's retention and maintenance of Title IV records, see:

- Campus-based programs--
  34 CFR 674.19, 675.19, and 676.19
- Pell Grant program--
  34 CFR 690.82
- Stafford/SLS/PLUS programs--
  34 CFR 682.610



The following general institutional records must be established and maintained on a current basis:

- ✧ records on each student's admission to the institution, enrollment status, academic program, and courseload;
- ✧ records that document that the student is maintaining satisfactory academic progress; and
- ✧ records on the educational qualifications of each regular student the institution admits and on the applicable admission standards, even if the student received no Title IV funds.

Financial aid office and fiscal office requirements include aid application, administrative, reporting, program-specific, and fiscal records, such as:

✦ **Application/Administrative Records:**

- ✧ student applications for financial aid, and need analysis documentation for all eligible aid applicants, whether or not the applicant received any financial aid;
- ✧ documents establishing a student's eligibility for specific aid programs (e.g. Pell Grant SARs and need analysis reports), and documents showing how and to what extent the student's financial need was met;
- ✧ data used to construct each individual's cost of attendance (COA);

Current regulations require an institution to maintain on file all campus-based program aid applications to support FISAP data.

- identification of the aid administrator(s) who determined the student's financial need;
- verification worksheets and supporting documents;
- a record of Stafford, SLS, and PLUS loans, including the name of the borrower, name of the lender, amount of the loan, and enrollment period for which the loan was borrowed;
- data used to establish full- or part-time enrollment status and the period of enrollment;
- applications of students who applied for and were awarded SEOG, Perkins Loan, and CWS funds; and
- records of any refunds due or paid to the student, to Title IV program accounts, or to a student's Stafford/SLS/PLUS lender.

✦ Reporting Records:

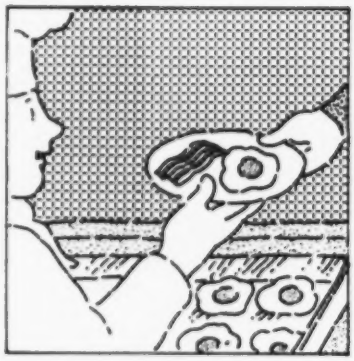
- copies of all required reports such as the FISAP, Pell Grant Institutional Payment Summaries (IPS) and Statements of Account (SOA), ED Payment System (ED/PMS) cash requests, ED/PMS series 272 quarterly reports, and Stafford/SLS/PLUS Confirmation Reports; and
- records supporting data which appear on all required reports.

✦ Program-Specific Records:

- *PELL:*
  - Pell Grant SARs; and
  - a record of the amount and date of each grant payment.
- *Stafford/SLS/PLUS:*
  - a record of the date the student pays his or her tuition and fees; and
  - a record of the date the institution receives each loan check, endorses it, and credits it to the student's account, if it is co-payable, or the date it gives each check to the student.
- *Perkins Loan:*
  - promissory notes in locked, fireproof containers;
  - repayment history for each borrower, which includes dates and amounts (interest and

principal) of each payment due for the life of the loan;
- history of borrower contacts (date, nature of contact, results) in the collection of overdue loans;
- copies of all correspondence to and from the borrower;
- copies of all loan cancellations and requests for loan deferment; and
- collection firm reports.

✧ *CWS:*
- payroll vouchers supporting payroll checks or disbursements; and
- certification statements signed by the student's supervisor (or other institutional or off-campus agency official) affirming that the student has worked and earned the amount being paid.



✦ **General Fiscal Records:**

✧ a record of all program transactions;

✧ bank statements of accounts containing Title IV funds;

✧ student account records, including the amount of tuition and fees paid by aid recipients for each enrollment period; and

✧ general ledger (control accounts) and related subsidiary ledgers that identify each program transaction and separate those transactions from the institution's other financial transactions.

All of these records are subject to audit and must be systematically organized and available for review at the location where the student received a degree or certificate. With the exception of loan records and unresolved audit or program review questions, all records for a particular award year must be retained for 5 years after:

✧ the institution submits its FISAP

✧ the institution submits its final Pell Grant IPS for an award year

✧ the institution's completion of reports and other forms used by the school which are related to Stafford, SLS, and PLUS loans

Perkins Loan records must be retained for at least 5 years from the date of the loan's final repayment, cancellation, or assignment to the Department of Education.

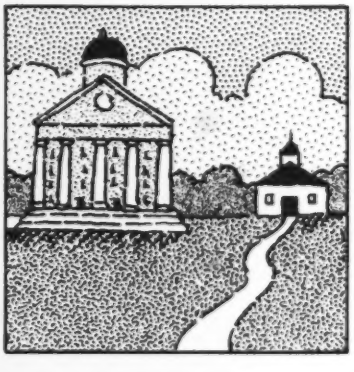
Records involved in program review and audit questions must be maintained until these questions are resolved.

15.10 ERRORS IN THE DELIVERY OF STUDENT FINANCIAL AID

Although the Department of Education is committed to improving quality in the delivery of the major Title IV student financial assistance programs, there are many problems it cannot address without the help of institutional aid administrators. Until recently, the emphasis in student aid management was placed on the accuracy of data entering the system and evaluation at the close of the processing cycle. Less attention was focused on assisting institutions in evaluating their aid office operations during the processing cycle.

In 1985, the Department of Education began a managerial experiment to test the proposition that deregulation of data verification activities can be linked with the establishment of a fair and workable system of accountability at the institutional level to ensure the proper expenditure of Title IV funds. Approximately 60 participating postsecondary institutions are:

- assessing their financial aid office management practices;
- identifying error points and weaknesses; and
- developing corrective actions.



Institutions in the project are exempt from regulatory verification procedures. Instead, they develop and use their own quality control programs. This is not intended to exempt an institution from gathering valid data; rather, it is intended to enable an institution to define the means most effective for its population and to permit the institution to target scarce resources toward the efforts most likely to produce valid information.

In the QC Pilot, an institution selects a small sample of students and completes a series of very detailed procedures to reconfirm data used in the process of awarding aid. The participants formulate hypotheses regarding data that are relatively sound, as contrasted with student data that the institutional aid administrator feels may be more error-prone. The methodology permits

a focus on the data suspected of being unsound, and minimizes effort on the data believed to be valid. For example, if an aid administrator feels that "number in household" tends to be reported correctly but "number in college" is questionable, she might discontinue checking "household size" for the whole population, but verify directly with other institutions the family members' enrollment status.

The procedures also alert institutions to previously unidentified problem areas. These problems may involve a small number of students--even one student in the sample--but if the institutional standard requires zero errors in that area, the aid administrator may consider the problem significant enough to warrant procedural action.

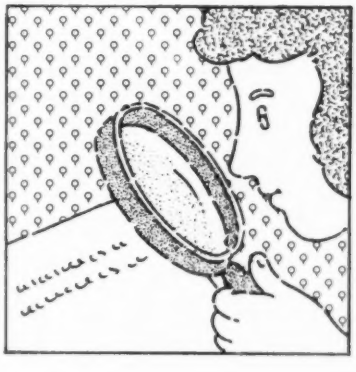
QC supports professional development in two ways:

- ✧ the elimination of data collection activities that are not yielding results frees time for staff training
- ✧ staff participation in the analysis of problems and construction of solutions creates a sense of pride and success among staff members

Financial aid administration relies heavily on top management's support at an institution, and managers to whom aid offices report have been favorably impressed by the pilot project's placement of resources.

15.11 WHAT IS QUALITY CONTROL?

Quality control (QC) is a set of interrelated procedures (a system) for ensuring that products meet specific qualitative standards (for example, ensuring that aid awards meet standards for accuracy). It is an internal evaluation of performance. The system includes:



- ✧ routine, ongoing control procedures to ensure that established standards are met. Control procedures identify and correct errors, and systematically prevent the recurrence of errors. An example of such a control procedure is the verification of student enrollment status before disbursing aid.
- ✧ procedures for measuring the degree to which standards are met, and for identifying areas requiring

corrective action. An example of such a measurement procedure is the periodic verification of award calculations to determine the error rate and its relationship to the standard the institution has set.

- ✧ corrective action when existing controls are inadequate. For example, missing documentation from student files may require the use of a tracking system.

These quality control procedures should be periodically verified, audited, and evaluated by an independent third party to ensure that they are adequate and effective. The independent review function is called quality assurance, and may be conducted by an independent internal or external auditor, including personnel from a state agency or the Department of Education.

Your institution already performs some of these types of quality control procedures, although they may not be formally recognized as quality control systems.

15.12 INSTITUTIONAL BENEFITS FROM INCREASING QUALITY

The ongoing evaluation system that a quality control program establishes is of wide-scale benefit to the institution. Quality control:

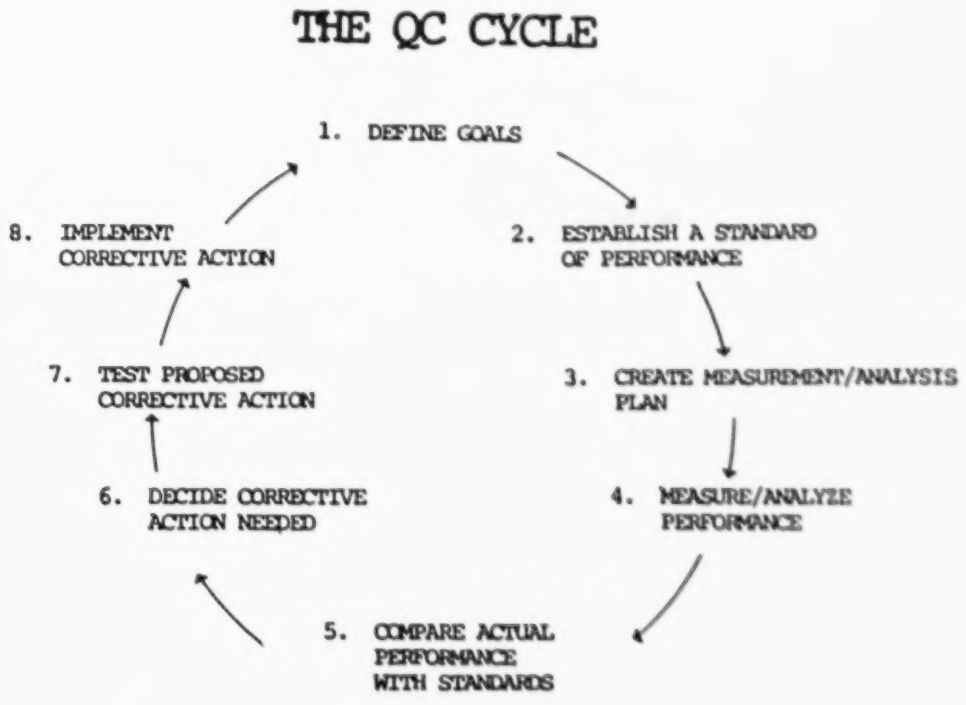
- ✧ leads to cost-effective improvements in the efficiency of aid administration;
- ✧ assists the institution in ensuring that federal and institutional student aid is distributed equitably to students who are eligible and in need of financial assistance;
- ✧ supports the mission of the institution;
- ✧ allows more staff time for individual student counseling as well as staff training and professional development; and
- ✧ helps ensure that an institution's aid operations meet federal statutory, regulatory, and administrative requirements. Such compliance reduces the risk of incurring liabilities, fines, limitation, suspension, or termination of eligibility for Title IV programs.

15.13 QUALITY CONTROL IN A FINANCIAL AID SETTING

A system of quality control for student aid at a school focuses on the activities of the financial aid and fiscal offices. The primary check points to be monitored are:

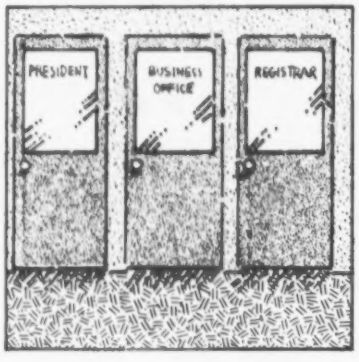
- ✧ financial aid office management practices;
- ✧ the student eligibility review process;
- ✧ data used to award aid;
- ✧ award calculation; and
- ✧ award disbursement.

However, implementing a quality control system involves the development of formalized, *institution-wide* procedures. It allows the institution to identify and focus on error-prone areas, since it monitors its own activities as they take place. This makes the determination of corrective actions easier and more effective. It improves the institution's capability for detecting, preventing, and correcting errors.


THE QC CYCLE
1. DEFINE GOALS
2. ESTABLISH A STANDARD OF PERFORMANCE
3. CREATE MEASUREMENT/ANALYSIS PLAN
4. MEASURE/ANALYZE PERFORMANCE
5. COMPARE ACTUAL PERFORMANCE WITH STANDARDS
6. DECIDE CORRECTIVE ACTION NEEDED
7. TEST PROPOSED CORRECTIVE ACTION
8. IMPLEMENT CORRECTIVE ACTION

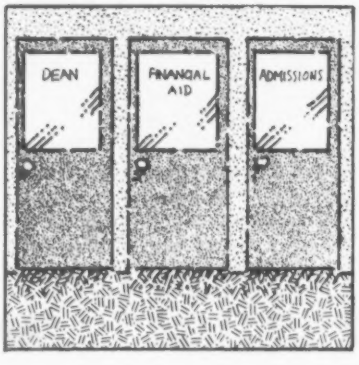
15.14 PROCEDURES FOR DEVELOPING AND IMPLEMENTING A QUALITY CONTROL PROGRAM

In developing and implementing a quality control system, an institution must:



- ✧ establish a commitment to develop a quality control system at the level of top administrators (the institution's president, owners, chief executive officer, provost, etc.)

- ✧ form a quality control team which includes representatives from the financial aid, business, and registrar's offices, as well as the data processing department, to help:
  - coordinate quality control procedures within and among institutional offices;
  - disseminate information on the institution's quality control program;
  - solicit the required commitment of resources for the design and implementation of specific corrective actions;



- ✧ develop a training program for financial aid office personnel;

- ✧ determine priorities for the program and a timetable for development and implementation;

- ✧ develop a QC plan, stating:
  - the functions to be monitored;
  - operational standards of performance that will be considered acceptable;
  - measurement systems;
  - data collection techniques;
  - sampling techniques;
  - output requirements;
  - specifications for quality control files;

- ✧ implement the QC plan; and

- ✧ determine corrective actions and implement program changes.

15.14.1 The QC Team

When the focus of a quality control program is student aid management, the QC team should be made up of represen-

tatives from offices involved in day-to-day student aid-related activities. The QC team should include members of:

- ✧ the financial aid office;
- ✧ the student body;
- ✧ the fiscal or business office;
- ✧ the admissions office;
- ✧ the registrar's office;
- ✧ the counseling and/or special support services offices;
- ✧ the data processing department (if applicable);
- ✧ the internal auditors (if applicable);
- ✧ the veterans office (if applicable); and
- ✧ the foreign student advisor's office (if applicable).

15.14.2 Determining Priorities for the Program

Representatives from these offices will determine priorities for the program. This involves:

- ✧ assessing the current level of quality in the management of student aid by examining:
  - the independent or external auditors' reports;
  - program review reports; and
  - financial aid office management practices.

- ✧ determining which areas need attention, such as:
  - student eligibility determination;
  - institutional verification procedures;
  - monitoring student withdrawals and computing institutional refunds;
  - determining the distributional effects of aid disbursements; and
  - deciding what level of quality is acceptable.

Once the QC priorities are determined, a detailed QC plan can be developed. This involves:

- ✧ writing down goals and objectives;
- ✧ developing a schedule for putting the plan into effect;
- ✧ determining the personnel and institutional resources needed; and
- ✧ assigning QC program responsibilities to members of the team.

The QC team may want to incorporate all of the activities in the QC plan into a flow chart. The flow chart documents the QC activities, the person responsible

for completing the activities, and the target completion date for each activity.

15.14.3 Developing Standards

Standards in a quality control system are evaluative tools and fall into two categories:

- ✧ overall program standards--an acceptable overall level of performance; and
- ✧ operational standards--specific rules for evaluating particular procedures or outcomes.

The ultimate goal is to achieve and maintain overall program standards. Operational standards allow measurement of the functional units that make up the overall standard. The illustration below shows a sample of standards and measures for evaluating financial aid procedures.

INSTITUTIONAL QUALITY CONTROL SYSTEM
SAMPLE STANDARDS AND MEASURES

Function:	Proper Determination of Pell Grant Award.
Measurement Points:	Calculation of Cost of Attendance. Computation of Award Amount. Determination of Enrollment Status.
Standards:	"X"% of error-free Pell Grant awards (the reference point selected by the institution for its quality improvement activities).
Measures:	✧ Number of erroneous awards due to improper calculation of cost attendance; ✧ Dollar error attributable to improper calculation of cost of attendance; ✧ Number of erroneous awards due to improper computation of award amount; ✧ Dollar error attributable to improper computation of award amount; ✧ Number of erroneous awards due to improper enrollment status determinations; ✧ Dollar error attributable to improper enrollment status determinations.

Standards in student financial aid are generally set by law and regulations. Financial aid administrators, fiscal officers, and accountants establish minimum standards of performance in administering the aid programs. Other standards, known as base-line error rates, are established after measuring existing errors in specific procedures and projecting the impact of those errors on the aid operation. The steps involved in setting standards are:

- ✧ estimating existing error rates for a given procedure;
- ✧ determining tentative standards based on estimated error rates; and
- ✧ revising tentative standards on the basis of continuing measurement and evaluation.

15.14.4 Data Collection Procedures

Once you have standards and measurement systems in place, you need to develop a means of collecting data. In addition, you must decide on the output documents to be used. Output documents in most systems are printed reports.

Before data collection can begin, the following steps are necessary:

- ✧ Identify sources of data, such as:
  - any student documentation requested by the institution to verify data items which may be in conflict on the student's application;
  - financial aid data files;
  - computer printouts; and
  - telephone logs and student traffic in the aid office (walk-in and scheduled).
- ✧ Develop data collection procedures:
  - standard forms should be developed to record all pertinent data and the results of the review of collected documentation;
  - data collectors, either independent observers not responsible for the process or financial aid staff members, must be designated; and
  - procedural steps in the review process must be identified and documented. These should include procedures for case selection, case review and recording of data, and review and evaluation of output documents.

- ✧ Select a valid statistical sample of cases for review. There are many ways to select a sample. However, there are two simple approaches to sampling:
  - systematic random sampling, which is particularly useful for a small sample; and
  - simple random sampling, which is very useful in selecting from a lengthy sampling list.

15.14.5 Output Documents

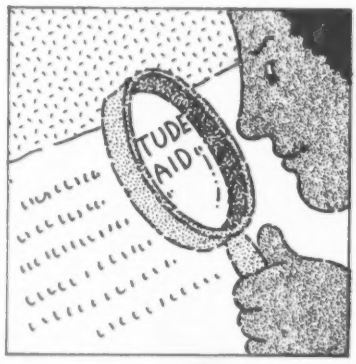
Output documents in most systems are printed reports. Those identified as report recipients (for example, high-level administrators, QC team members, and participating organizational units) must submit information requests to the QC team. From these requests, report formats are developed. In an automated setting, programmers assigned to the project write programs according to these report specifications. Reports should be designed to provide enough information to allow evaluation to focus on specific causes of error.

The QC reports provide valuable management information which describes the extent and nature of the causes of error. Additionally, the QC reports provide focus and direction for the development and implementation of corrective actions.

15.14.6 Implementing a Quality Control System

A schedule for implementation is developed and staff training sessions held. Case review procedures, data collection forms and report formats, and guidelines for report review should be included in the training.

15.14.7 Data Collection, Analysis, and Monitoring Activities



Data collection using the forms developed for the QC project is coordinated with routine procedures within the office. A monitoring activity generally follows the operational cycle. For example, monitoring the calculation of Pell Grant cost of attendance cannot take place until that processing step is completed.

Data collected from monitoring a particular function or unit of processing is then compared to the performance standard established earlier. If the results are outside

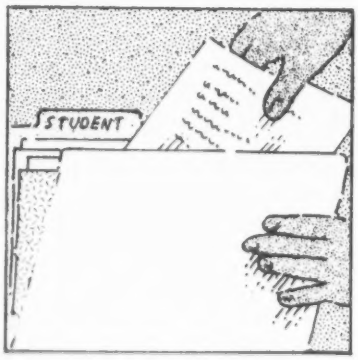
tolerance limits, problem areas may be pinpointed and corrective action taken.

15.15 CORRECTIVE ACTION: CONTROLLING CRITICAL ERRORS

The process of monitoring activities, collecting data, and analyzing the results provides information necessary to take corrective action. These activities help to identify probable causes and potential corrective actions for error-prone areas at an institution. Errors are divided into two types:

- ✧ institutional errors
- ✧ student errors

The technique of "sampling," in which a representative selection of the total pool of cases is selected for review, may be used for both a quality control evaluation of ongoing activities and an annual end-of-year error measurement. You may sample your applicants at various points in the aid delivery process, and check the work completed to date. The results will help you to determine whether a particular processing step is in need of minor improvements or whether error rates are high enough to require checking the relevant data for all applicants and taking major corrective actions.



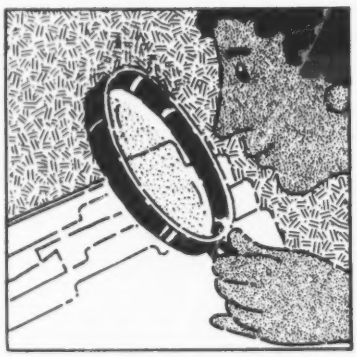
Improvement, or corrective action, may mean:

- ✧ better control, so that student aid management personnel attempt to identify and prevent departures from accepted standards of performance; or
- ✧ structural changes to the system. This approach recognizes a situation where improved staff performance is not the solution. Instead, fundamental changes to the system are required, such as automating a process that is particularly error-prone when completed manually, since automation poses a lower risk of error.

This cycle of monitoring, evaluating, and implementing corrective action is an ongoing cycle. It provides the aid administrator with a systematic, highly organized approach to managing the aid student functions.

SUMMARY

This module has been devoted to an overview of student aid office management. We have taken you inside the aid office operation to review the flow of work from the point of collecting initial documents to the retention and maintenance of records at the close of the award year. This sequential review of the aid process should increase your practical understanding of how the varied aspects of student aid management fit together.



Our overview provided us with an opportunity to review the roles and responsibilities of aid administrators and their interaction with other institutional officials. Major functions such as managing federal student aid funds, confirming student eligibility, verifying applicant data, calculating cost of attendance, determining financial need, developing award packages, and authorizing the disbursement of student aid funds, were viewed within the context of the aid office's operations.

Our second chapter dealt with evaluating your institution's management of student aid as the processing takes place. This requires the establishment of a quality control program to measure the quality and accuracy of the major functions that make up the institution's management of the student financial aid programs. It is a campus-wide evaluative system that encompasses all of the institutional offices involved in aid management. We outlined the steps an institution must take to develop and implement a quality control program to improve the management of student financial aid.

POST-TEST

1. Procedures must be in place to ensure that an institution's other administrative offices and faculty report all information that affects aid awards to the financial aid office (for example, outside scholarships, employer tuition sponsorship, tuition waivers, student non-attendance in classes). True or False?

2. Award packaging of Title IV funds is a process that always takes place prior to financial need determination. True or False?

3. A student's aid file would not be complete without a signed statement of educational purpose each award year. True or False?

4. Continuing students must have their academic records compared to standards for satisfactory academic progress to continue to receive federal student aid. True or False?

5. Refund calculation is necessary when a student withdraws before the start of classes, but not once classes begin. True or False?

6. A quality control program is intended to: (circle all that apply)

   a. audit the student aid program
   b. survey students for their reactions to aid office personnel
   c. see if all available aid was distributed
   d. evaluate the educational quality of an institution's eligible programs
   e. monitor the accuracy of the institution's administration of student aid

7. The term "overaward" refers to: (circle all that apply)

   a. awarding aid for a program that runs more than one year
   b. awarding aid to too many students (i.e. beyond the available funds)
   c. awarding aid beyond a student's documented need
   d. awarding aid beyond regulated student loan borrowing limits

8. The following procedures are appropriate in an overaward situation: (circle all that apply)

   a. cancel unpaid grants and loans if there is no additional financial need and the overaward is $200 or more
   b. ask the student to return any "excess" amount received for noninstitutional costs
   c. determine whether the student shows additional, unanticipated financial need
   d. take no action unless the overaward is $500 or more
   e. take no action, if the overaward is caused by outside funding sources

9. Fund management in the financial aid office includes: (circle all that apply)

   a. filing required fiscal reports
   b. monitoring expenditures and balances in federal accounts
   c. disbursing funds (crediting accounts or writing checks) to students
   d. developing an institutional budget for managing student aid funds
   e. developing a packaging policy for student awards

10. Institutions must contribute their own money to Title IV student aid funds. Which of the following refer to this obligation? (circle all that apply)

   a. Perkins Loan Institutional Capital Contribution
   b. College Work-Study matching funds
   c. administrative cost allowance
   d. interest payments on Stafford Loans during in-school periods and deferments

11. An award adjustment or a refund calculation might be required if a student: (circle all that apply)

   a. discontinues work-study employment at the mid-point of the payment period
   b. receives an outside scholarship after the term has begun
   c. enrolls for a full-time course load but drops to part-time status during the add/drop period
   d. transfers to another institution at the end of the academic year
   e. withdraws, drops out, or is expelled after classes begin

12. Student eligibility must be confirmed before financial aid is awarded. For each eligibility item below, show which source document or documents might be examined. (More than one may apply.)

Eligibility Issue	*Source Document*
a. Student admitted	1. Admissions letter
b. Citizenship status	2. INS letter/document or passport
c. Previous attendance at another institution	3. Application for admission
d. Enrollment status	4. Aid application
e. Satisfactory academic progress	5. Registrar's class attendance rosters or enrollment reports
f. Selective Service registration	6. Academic transcripts
	7. Tax form of parents
	8. Signed statement of student

ANSWERS

1. True. The financial aid office is expected to coordinate all available funding for students to prevent overawards. Other administrative offices which either administer forms of student assistance (such as departmental scholarships and stipends) or receive information on outside sources of assistance (such as employer or agency sponsorship, outside scholarships, etc., handled by the business or fiscal office) must routinely report this information to the aid office. Procedures for collecting and forwarding this information to the aid office must be in place for the institution to be in regulatory compliance. Other institutional officials who collect information that also affects aid eligibility (for example, faculty monitoring student class attendance and academic performance, registrar's office processing student withdrawals and enrollment changes) must also have a system for sharing this information with the aid office. (For more information, see Sections 15.4 and 15.5.1.)

2. False. Since the majority of student aid funds, including Title IV funds, are awarded on the basis of financial need, an aid administrator must establish a student's financial need *before* packaging awards. An exception to this would be the packaging of scholarship or other funds where financial need is not an eligibility factor. (15.5.1)

3. True. A signed statement of educational purpose is required from recipients of Title IV aid. The statement must be collected each award year. In this statement, students certify that they will use any student aid funds received for education-related purposes. (15.3.3)

4. True. Satisfactory academic progress is an eligibility factor for students to continue to receive aid. Institutions must develop and implement a satisfactory academic progress policy for Title IV recipients that meets federal regulatory and statutory standards, and procedures must be in place to ensure the students' compliance. (15.3.3, 15.4)

5. False. A full refund of Title IV funds to federal accounts must take place if a student officially or unofficially withdraws or is expelled before the first day of classes. In addition, if a student withdraws, drops out, or is expelled after the first day of classes, and the student received Title IV funds, the institution must determine whether a refund of institutional charges is due, and whether the student received an overpayment of student aid for noninstitutional expenses, in which case all or part of the funds must be refunded to Title IV accounts. This includes funds applied to cover institutional costs and any cash disbursements the student received for education-related expenses (such as books, transportation, and off-campus living expenses) for the payment period. Federal regulations provide formulas for aid administrators to use to determine what portion of the award must be refunded. Institutions must develop written policies to allocate refunds to the various Title IV programs. (15.8)

6. e. A quality control program for student financial aid is an important evaluation system when applied on a campus-wide basis. Such a program monitors policies and procedures used by the institution in administering student aid while at the same time evaluating overall accuracy and effectiveness. Important operational aspects evaluated include verification of the accuracy of applicant data; internal controls that allow for required checks and balances; monitoring processes; reporting processes; and the ability of the system to identify problems and to take corrective actions. (15.11)

7. c. *Overaward* and *overpayment* are terms used to describe a situation in which an institution provides Title IV student aid to a student which, in combination with nonfederal sources of aid, exceeds the student's documented need. Aid administrators are responsible for coordinating all available student aid resources at an institution to prevent overaward situations. (15.6.3)

8. a., b., and c. All three correct options describe major procedural steps that institutions are required by regulation to follow in handling overawards. After identifying the overaward situation, the aid administrator first determines whether there is any additional financial need that can be documented. If there is none, or if there is but the overaward is still $200 or greater, unpaid grants and loans must be cancelled. If an overpayment situation exists, the institution bills the student for the amount concerned. Student repayments are then refunded to appropriate Title IV accounts. (15.6.3)

9. a., b., d., and e. An important internal control in student aid management requires that separate individuals or offices award and disburse funds. To maintain this separation of functions, the aid office, which makes awards, is not allowed to disburse funds. This responsibility is generally handled by the business or fiscal office. (15.2)

10. a. and b. For the 1988-89 award year, two student aid programs require an institutional contribution of funds. The Perkins Loan program requires a contribution equal to one-ninth of the institution's Federal Capital Contribution (FCC) for that award year. The CWS program requires that the institution contribute a minimum of 20% of the CWS gross wages paid during the award year. (15.2.1)

11. b., c., and e. The circumstances that may require award adjustment, cancellation, or refund calculation are circumstances that affect student eligibility and financial need. A change from full- to part-time enrollment during the add/drop period may require award adjustment if it reduces a student's financial need, or may require award cancellation if the student drops to less than half-time enrollment status (see Section 15.8.3). Student withdrawal or expulsion after classes begin generally requires refund calculations and repayments to Title IV accounts based on the institution's policy for reallocation of funds to federal accounts (see Sections 15.8.1, 15.8.4, and15.8.5). Students receiving additional funding from outside sources may require award adjustment or cancellation if the additional funds result in an overaward. (15.6.3, 15.8)

12. a: 1. *Admission status* is generally verified through the institution's copy of the student's letter of admission or contract or periodic reports from the admissions office.

    b: 2, 3, and 4. *Citizenship status* is ultimately documented for permanent residents and other eligible noncitizens through documents provided to the student by the Immigration and Naturalization Service (INS). An institution's application for admission and financial aid generally collects this same information and should be compared for consistency; however, they do not satisfy the requirement for collection of INS documents for eligible noncitizens. High school transcripts and the foreign student advisor's records should also be checked.

    c: 3, 4, and 6. *Previous attendance at another institution* may be verified through student-submitted data on the institution's application for admission and financial aid. Academic transcripts which are evaluated for admission and transfer credits also indicate previous attendance.

d: 5. *Enrollment status* can be verified through class attendance rosters or enrollment reports generated from the Registrar's Office.

e: 5 and 6. *Satisfactory academic progress* can be verified using academic transcripts or grade reports. These records are often compared to enrollment records.

f: 4 and 8. *Selective Service registration status* is usually certified by a statement included on the institution's aid application or the student's Pell Grant SAR. A separate signed statement may also be used.

(For information on all these items, see Section 15.4)

For scoring purposes in Question 12, treat each letter as a separate question. Award yourself one point for each letter answered with all applicable numbers. The maximum score on this question is 6 points.*

Questions: 17* Your Score: Percentage:

academic year	(a) A period of time in which a full-time student is expected to complete at least the equivalent of 2 semesters, 2 trimesters, or 3 quarters at an institution measuring in credits and using a semester, trimester, or quarter system; (b) 24 semester hours or 36 quarter hours at an institution using credit hours and not using a semester, trimester, or quarter system; (c) at least 900 clock hours at an institution using clock hours.
award adjustment or revision	An action by the financial aid office resulting in an increase, decrease, program substitution, or cancellation of a recipient's award. This may be necessitated by factors such as a change in the student's dependency status, or a change in the financial circumstances of the family or student.
award letter	Notifies student financial aid applicants that they have qualified for federal financial aid and informs them of the assistance being offered. The award letter usually gives information on the types and amounts of aid offered, as well as specific program information, student responsibilities, and the conditions which govern the award. Generally, the award letter gives students the opportunity to accept or decline the aid offered. Also referred to as award notification.
award packaging	See **packaging**.
business office	The office responsible for financial accounting for an institution, including Title IV program activity. This office disburses award payments to students and student accounts and processes loan checks. It is sometimes referred to as the fiscal office, finance office, comptroller's office, bursar's office, or the student accounts office.
corrective action	Changes in procedures to improve the quality of a given product or service, e.g. to control error rates. Corrective action also refers to a requirement imposed by an ED official, administrative law judge, or the Secretary to cause an institution to take reasonable and appropriate action to remedy a violation of applicable laws, regulations, special arrangements, agreements, or limitations.
cost of attendance (COA)	Those charges and allowances established by the institution that are applicable to students for attendance for one academic year. Generally, the COA includes tuition and fees; allowances for room and board, books, supplies, transportation and miscellaneous expenses, child care, dependent care, and certain handicap-related expenses. There are significant differences between these components in the Pell Grant and campus-based/GSL programs. See Sections 411F and 472 of the Higher Education Act of 1965, as

amended, for provisions on establishing institutional costs of attendance. The term *cost of attendance* is often used interchangeably with *cost of education*.

departmental scholarship — An award of gift assistance that is specifically designated for a recipient in a particular department within the school, college, or university. It may or may not be a need-based award.

disbursement — The process by which financial aid funds are made available to students.

documentation — Written statements explaining the logic and/or the steps followed which resulted in a specific action taken, given the particular set of circumstances. (See **acceptable documentation**.)

edit checks — A series of data tests run by an automated processing system on financial aid applications. These tests look for and report incomplete or inconsistent data on the application. *Edit checks* (also known as *edits*) are one mechanism used to select applications for verification. Edit checks are also part of the processing of an institution's **FISAP**.

enrolled — The completion of registration requirements at the institution the student is attending and commencement of the attendance period. A correspondence school student must be accepted for admission and must complete and submit one lesson to be considered enrolled.

enrollment status — At those institutions using semesters, trimesters, quarters, or other academic terms and measuring progress by credit hours, enrollment status equals a student's credit-hour courseload categorized as either full-time, three-quarter time, or half-time. Clock-hour schools and schools using credit hours but not standard terms must ensure that Pell Grant and Stafford Loan recipients meet the minimum half-time enrollment requirement, but these schools are not required to determine three-quarter or full-time enrollment status.

financial aid package — An offer by an educational institution to a student aid applicant of one or more forms of financial aid (loans, grants and/or scholarships, employment).

grant (programs) — Gift aid programs which require neither repayment nor that work be performed. Federal Title IV grant programs include the Pell Grant, SSIG, and SEOG.

Institutional Payment Summary (IPS) — A transmittal form which accompanies each individual batch of institutionally completed Pell Grant Payment Documents. The IPS must be submitted at least once in each quarter, even if it is not accompanied by Payment Documents.

loan	An advance of funds which is evidenced by a promissory note requiring the recipient to repay the specified amount(s) under prescribed conditions.
overaward	The condition which exists when an institution provides financial assistance to a student which, in combination with all of the resources made available to that student from federal and nonfederal sources, exceeds the difference between the student's Cost of Attendance and the expected family contribution. While the above defines an overaward, an institution is not in violation of campus-based program regulations which prohibit overawards if: (a) the student receives funds after the institution awards aid and the total resources exceed his/her financial need by $200 or less; or (b) the student earns more money from employment than the institution anticipated when it made the award and it treats the earnings in accordance with program requirements.
overpayment	Any amount paid to a student in excess of the amount which the student is entitled to receive. This situation may arise due to a change in enrollment status, withdrawal, or a change in financial situation. In any of these instances, the student would be required to repay excess funds received unless adjustments could be made to the student's aid during subsequent payment periods within the same award year.
packaging	The process of assembling one or more financial aid awards of loans, grants and/or scholarships, and employment for students.
payment period	An institutionally defined length of time for which financial aid funds will be paid to a student. For programs using academic terms, the payment period is the term itself. For programs not using academic terms, institutions must designate at least two payment periods within an academic year.
program review	The process in which the activities of one or more of the financial aid programs of an institution are reviewed by the Department of Education to assess compliance with federal law and regulations and institutional policy. The review may also include a review of management and administrative capabilities.
promissory note	The legal document the borrower signs when obtaining a loan. It lists the conditions under which the loan is made and the terms under which the borrower agrees to pay back the loan.
quality assurance	The periodic verification, audit, or evaluation of a quality control system by an independent third party to ensure that it is adequate and effective.
quality control	A process by which the institution establishes a system for checking the overall quality and accuracy of its campus-wide student aid administration.

refund	A refund by an institution means the amount paid for *institutional* charges for a payment period *minus* the amount retained by the institution for the portion of the payment period that the student was actually enrolled at the institution.
refund policy	The policy which determines the conditions under which a student is entitled to a refund of payments.
resources	For purposes of determining awards and overpayments in the campus-based programs, resources include, but are not limited to, (a) any funds the student is entitled to receive from a Pell Grant, regardless of whether the student applies for it; (b) waiver of tuition and fees; (c) scholarship or grant, including an SEOG or athletic scholarship; (d) fellowship or assistantship; (e) insurance programs for the student's education; (f) SLS, PLUS, state-sponsored, or private loan proceeds not used as a substitute for the EFC; (g) long-term loans, including Perkins Loans but excluding Stafford Loans, SLS, and PLUS, made by the institution; (h) net earnings from need-based employment ("net earnings" means gross earnings minus taxes and job related costs); and (i) veterans and Social Security benefits (except that part included in the calculation of the student's EFC).
scholarship	A form of financial assistance which does not require repayment or employment. A "merit-based" scholarship may be made to a student who demonstrates or shows potential for distinction, usually in academic performance, at the institution. The term is also frequently used to refer to need-based state grant ("state scholarship") programs. Scholarships may require both academic proficiency and demonstrated financial need.
separation of functions	In administering federal student aid programs, an institution must establish and maintain an internal control system of checks and balances that ensures that no office can both authorize payments and disburse funds to students.
Statement of Educational Purpose	The student must sign this statement in order to receive federal student aid. By signing, the student agrees to use the Title IV student aid solely for education expenses. The 1988-89 SAR contains such a statement. The student must sign the statement on the SAR or a similar statement prepared by the student's school, and the statement included on a Stafford or SLS loan application.
Student Aid Report (SAR)	The official 3-part notification of the results of processing the student's Pell Grant application that is sent directly to the student by the central processor. The report shows the Student Aid Index (SAI). All three parts of the SAR must be submitted by an eligible student to the financial aid office at the institution for the student to receive payment under the Pell Grant program.

Student Confirmation Report	The report (in printed or magnetic tape format), usually sent to educational institutions twice per year, which lists all Stafford Loan borrowers from that institution presumed to be currently enrolled. The institution is required to provide certain enrollment status information about each borrower. The report is used to assist the lenders in monitoring enrollment status of student borrowers for repayment purposes.
verification	Technical and administrative procedures for detecting and resolving inaccuracies in the data that a student has given when applying for federal financial aid. ED publishes a *Verification Guide* each year setting forth guidelines and procedures.

ACRONYMS

ACA	Administrative Cost Allowance.
AGI	Adjusted Gross Income.
COA	Cost of Attendance.
EFC	Expected Family Contribution.
FAT	Financial Aid Transcript.
FC	Family Contribution (calculated with the Congressional Methodology).
FCC	Federal Capital Contribution.
ICC	Institutional Capital Contribution.
QC	Quality Control.
SAI	Student Aid Index.
SAR	Student Aid Report.

KEY RESOURCES

1. U.S. Department of Education, Office of Student Financial Assistance, *Federal Student Financial Aid Handbook*, Washington, D.C., OSFA/ED, 1988.

   Chapter 2, "General Program Requirements," includes information on student records, program records, and fiscal records which each participating institution must maintain. The administrative capability of the institution and the responsibilities of the financial aid administrator are also addressed.

2. National Association of College and University Business Officers, *Financial Self-Assessment for Colleges and Universities*, Washington, D.C., NACUBO, 1987.

3. -------, *Overview of Student Financial Aid for Business Officers*, Washington, D.C., NACUBO, 1988.

4. National Association of Trade and Technical Schools, *Financial Aid Tool Kit*, Washington, D.C., NATTS, 1988.

   In addition to specific program requirements, the Tool Kit includes sections on the financial aid calendar and changes in student status (withdrawals, refunds, and repayments).

BIBLIOGRAPHY

1. Hart, Natala, "Unexpected Benefits from Quality Control," *Student Aid Transcript*, Spring 1988.

The references listed above can be obtained by contacting the publishing organization. For U.S. Department of Education addresses, see the inside back cover or the Support Booklet. For all other addresses, see the Support Booklet.

INDEX

A
administrative files 15.3.3
appeal procedures (student), in award packaging 15.6.4
authorization to disburse 15.7.3
award changes 15.7.2
award letter 15.6
award packaging 15.5.2

C
calendar, financial aid 15.1.2
changes in student status 15.8
College Work-Study program (CWS) files 15.3.3, 15.6.2

D
declination (of an award) 15.6
disbursement 15.7
  authorization to disburse 15.7.3

E
eligibility (student) 15.4
estimating funds available for awards 15.2.1
expulsion 15.8, 15.8.4

F
fund management 15.2
  administrative cost allowance 15.2.1
  award packaging 15.2.2, 15.5.2
  disbursement 15.7
  estimating funds available for awards 15.2.1
  fiscal reports 15.2.4
  institutional budget 15.2.1
  monitoring fund balances 15.2.3
  packaging policy 15.2.2

I
institutional offices (other than financial aid) 15.4
  participation in quality control program 15.14.1

N
need analysis 15.5.1
need determination, in Stafford/SLS/PLUS 15.5.1

P
Perkins Loan program files 15.3.3, 15.6.1

Q
quality control
  approaches/priorities 15.13, 15.14.2
  benefits 15.12
  corrective action 15.15
  data collection 15.14.4
  definition 15.11
  errors in delivering aid 15.10
  plan 15.14
  procedures 15.14
  QC cycle 15.13
  QC Pilot 15.10
  reports 15.14.5
  sampling 15.14.4
  standards 15.14.3
  team 15.14.1

R
record maintenance 15.3.3, 15.9
record retention requirements 15.9
reference materials 15.3.3
refunds (by institution) 15.8
  distribution formula 15.8.1
  institutional allocation policy 15.8.1
  institutional charges 15.8.4
  institutional refund policy 15.8.1
  of loans 15.8.5
  policies 15.8.1
repayments by student, due to status change 15.8.4, 15.8.6
  noninstitutional costs 15.8.4

S
satisfactory academic progress 15.4
student counseling, by financial aid office 15.3.2, 15.6.1
student eligibility. *See* eligibility (student)
student files 15.3.3, 15.3.4, 15.4
student status, change in 15.8.2-15.8.4

T
tracking systems, files 15.3.4, 15.6
automated 15.3.4, 15.5.2, 15.6, 15.7.3
manual 15.3.4, 15.5.2, 15.6, 15.7.3

V
verification
policies and procedures 15.4

W
withdrawal 15.8, 15.8.4

REGIONAL OFFICES OF STUDENT FINANCIAL ASSISTANCE

REGION I
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(617) 223-9338

REGION II
(NJ, NY, PR, VI, CANAL ZONE)

Office of Student Financial Assistance
U.S. Department of Education
26 Federal Plaza, Room 3954
New York, New York 10278
(212) 264-4426

REGION III
(DE, DC, MD, PA, VA, WV)

Office of Student Financial Assistance
U.S. Department of Education
3535 Market Street, Room 16200
Philadelphia, Pennsylvania 19104
(215) 596-0247

REGION IV
(AL, FL, GA, KY, MS, NC, SC, TN)

Office of Student Financial Assistance
U.S. Department of Education
101 Marietta Tower, Suite 2203
Atlanta, Georgia 30323
(404) 331-4171

REGION V
(IL, IN, MI, MN, OH, WI)

Office of Student Financial Assistance
U.S. Department of Education
401 South State Street, Room 700-D
Chicago, Illinois 60605
(312) 353-6103

REGION VI
(AR, LA, NM, OK, TX)

Office of Student Financial Assistance
U.S. Department of Education
1200 Main Tower Building, Room 2150
Dallas, Texas 75202
(214) 767-3811

REGION VII
(IA, KS, MO, NE)

Office of Student Financial Assistance
U.S. Department of Education
10220 North Executive Hills Blvd., 9th Floor
P.O. Box 901381
Kansas City, Missouri 64190
(816) 891-8055

REGION VIII
(CO, MT, ND, SD, UT, WY)

Office of Student Financial Assistance
U.S. Department of Education
1961 Stout Street, 3rd Floor
Denver, Colorado 80294
(303) 891-3676

REGION IX
(AZ, CA, HI, NV, AS, GUAM, PACIFIC ISLANDS)

Office of Student Financial Assistance
U.S. Department of Education
50 United Nations Plaza, Room 270
San Francisco, California 94102
(415) 556-5689

REGION X
(AK, ID, OR, WA)

Office of Student Financial Assistance
U.S. Department of Education
2901 Third Avenue, Room 100
Seattle, Washington 98121
(206) 442-0483